

**Strategic International Human Resource Management  
in MNEs from an emerging market: Case evidence from  
a Chinese Multinational Construction Enterprise**

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**PhD**

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## **Abstract**

The purpose of this study was to explore the characteristics, drivers, and strategic efficacy of implementing International Human Resource Management Practices (IHRPs) in multinational enterprises (MNEs) from an emerging market, such as China. It positioned this study within a Chinese Multinational Construction Enterprise (CCMNE). It sought to find out how large scale state-owned CCMNEs manage their global workforce in their overseas operations (i.e. subsidiaries and affiliate projects) via dynamic IHRPs. This study analysed the weaknesses and strengths of the current practices in the deployment and implementation of IHRM in CCMNE's overseas operations to ascertain how Chinese multinational enterprises (CMNEs) in the construction industry standardise or adapt IHRPs when operating in host countries, with a particular emphasis on the impact of contextually relevant influential factors from the institutions, industry, and organisation. It also set forth to assess the strategic effectiveness of CCMNE's contemporary IHRM solutions.

Chinese MNEs continue their extensive involvement and success in international markets. Recent academic and business interest has initiated the exploration of broader international human resource management (IHRM) issues and practices in Chinese MNEs from a strategic perspective. However, the majority of relevant empirical evidence and established IHRM theoretical models are drawn from Western MNEs, which mostly come from developed economies. As a result, they may be insufficient to explain the characteristics, drivers, and effectiveness of Chinese MNEs' employment practices in an emerging market.

The research employed a qualitative approach, concentrating on a case study of a representative large-scale state-owned CCMNE through semi-structured interviews, direct observation, and documentation. The qualitative data were analysed by template analysis, which enables the study's research objectives to be met by focusing on specific themes and iteratively applying and developing theory and collected data.

The findings indicate that global standardisation continues to dominate the deployment and implementation of key IHRM practices in the CCMNE, despite the emergence of increasingly localised features. The results also revealed that a number of factors across multiple dimensions shape the contemporary key IHRM practices in the CCMNE to varying degrees, including the key institutional actors of the home/host country, cultural differences, industry characteristics, international strategic goals of business, competitive strategy of the overseas subsidiary, international human resource orientations of top management, and the stages of organisational internationalisation. Additionally, this research provides fresh insights into conceptualising the audit on the strategic effectiveness of IHRM solutions in CMNEs in general and CCMNEs in particular. It further suggests that the delivery of localisation tactics in IHRM might bolster the improvement and internationalisation of CCMNEs in future development.

**Key Words:** Strategic International Human Resource Management(SIHRM); Chinese Construction Multinational Enterprises(CCMNEs);IHRM Transfer

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## Abbreviations

ASEAN	Association of Southeast Asian Nations
BRI	Belt and Road Initiative
CMNEs	Chinese Multinational Enterprises
CCMNEs	Chinese Construction Multinational Enterprises
EMNEs	Multinational Enterprises from the Emerging Economies
HCNs	Host-Country Nationals
HRM	Human Resource Management
MNEs	Multinational Enterprises
MOFCOM	Ministry of Commerce of the People's Republic of China
NGOs	Non-governmental Organisations
OFDI	Outward Foreign Direct Investment
PCNs	Parent-Country Nationals
RCEP	Regional Comprehensive Economic Partnership
TCNs	Third-Country Nationals
IHRM	International Human Resource Management
IHRPs	International Human Resource Practices
OLC	Organisational Life Cycle
OIS	Organisational Internationalisation Stage
SASAC	State-owned assets supervision and administration commission of the state council
SIHRM	Strategic International Human Resource Management
SOEs	State-owned Enterprises

## **CHAPTER ONE:**

### **INTRODUCTION**

#### **1.1 Aim of this study**

This study aims to fulfill the literature gap by exploring the patterns, drivers, challenges, and strategic effectiveness of implementing International Human Resource Management (IHRM) focusing on multinational enterprises (MNEs) in China as an emerging market. It positions this study within a multinational construction enterprise, seeking to find out how large-scale state-owned construction enterprises manage their international workforce in their overseas operations (i.e. subsidiaries and affiliate projects) via dynamic international human resource management practices (IHRPs). This study also strives to extend the scope of knowledge and respond to the consistent literature call by examining the impact of contextual and industry-related factors on the IHRM practices transfer in Chinese construction MNEs given the lead from extant IHRM theories and models in use in western multinationals. Finally, this study sheds new light on IHRM solution audit criteria from a strategic perspective and provides development recommendations based on the key findings.

#### **1.2 Background of this study**

##### **1.2.1 The global rise of Chinese multinational enterprises (CMNEs)**

Globalisation has attracted a great deal of attention since the last century with the rapid growth and international interdependence of multinational enterprises. The new economic hub has been seen as moving towards China since the beginning of the twenty-first century due to China's indisputable globalisation

performance (Casanova & Miroux, 2019). China has become one of the world's largest investors, ranking second in the 2016 annual outward foreign direct investment (OFDI) flow scale, up from 26th in 2002 (Statista,2021). In 2019, China maintained the lead position with an OFDI flow scale of USD 136.91 billion, trailing only Japan (USD 226.65 billion). Although only a few Chinese multinational enterprises (CMNEs) were present in the world's largest firms list 15 years ago, 111 Chinese firms made it into the Global 500 list in 2018, compared to 126 US firms (Casanova & Miroux, 2019). By the end of 2019, over 27,500 Chinese investors set up 44,000 enterprises in 188 countries (regions) worldwide, accounting for more than 80 % of the world's total market (MOFCOM, 2020). As stated in Cooke et al.'s work (2018b, p198): "CMNEs are not only co-creators of the world economy, but also co-writers of world history."

Driven by the national outbound venture vision - The Belt and Road Initiative (BRI) - CMNEs' substantial global expansion and significant global presence are expected to grow constantly. BRI is a development strategy adopted by the Chinese government in 2013 to create a closer bond between the advanced European economic circle and the dynamic Asia-Pacific. The 'belt' refers to the overland interconnecting infrastructure corridors, while the 'road' refers to the sea route corridors (World Bank,2021). The Ministry of Commerce of China (MOFCOM, 2020) reported that China's OFDI in the Belt and Road countries amounted to USD 117.31 billion from 2013 to 2019, with over 10,000 overseas companies established. Additionally, CMNEs employed nearly 2.266 million non-parent national employees from host countries, accounting for approximately 60.5 % of China's overall abroad workforce during this period. The BRI has

played a catalytic role in accelerating all industries from the domestic market to global exposure to consolidate CMNE's globalisation successes continually. Furthermore, the signing of the Regional Comprehensive Economic Partnership (RCEP) agreement in 2020 illustrated that China had become a pivotal trade partner in the world's biggest free-trade bloc. The 15 participating countries (association of Southeast Asian Nations and China, Japan, South Korea, Australia and New Zealand) of RCEP possess around 30% of the global population, global gross domestic product and global trade (Jakarta,2021). The introduction of the free-trade bloc of RCEP is likely to further promote Chinese companies' enthusiasm to go abroad, and assist their transformation into an internationalisation route of high quality.

Against the current backdrop of a China-dominant globalisation trend (Casanova & Miroux, 2019), CMNEs have received considerable attention from both researchers and practitioners, since they serve as the trailblazers to carry out the national vision and globalisation process. The main literature asserted that the MNEs' success depends on the availability and effective utilisation of their strategic resource – people (Tung, 1984). Human resource management is a prominent area strongly associated with companies' performance and competitiveness (Guest et al.,2000). How to effectively manage the human resource of MNEs within the global context is coming to the fore as companies are globalizing at speed (Sparrow et al., 2016). Managing the complexities resulting from the global environment and consequently developing a robust and responsive international HR management strategy is necessary for effective MNE international workforce management. The activities of IHRM, therefore, should



consequently affect the attainment of MNE's global objectives (Schuler, Jackson, & Tarique, 2011).

The main purposes of IHRM are to optimise employees' motivation, capability (i.e. experience, capacity, and skill) and commitment (Huselid, 1995; Patterson et al., 1997). Tarique et al. (2015) delineated that the activities of IHRM typically encompass human resource planning, staffing, performance management, training and development, compensation and benefits, and labour relations within MNEs. Morgan (1986), defined IHRM as the interactions among human resources initiatives, types of employees, and operational countries. Schuler and his colleagues (1993) outlined the relationship between key strategic components of IHRM (SIHRM issues, functions, policies/practices) and proposed an integrative framework to predict the impact of various external and internal influential factors on the IHRM components, as well as the MNE's goals. Taylor, Beechler and Napier (1996) argued that the variables from the parent company, subsidiary, and employees group within the subsidiary are determinants in influencing the IHRM system of MNEs.

In recent years, one research strand in this discipline sets forth to take MNEs from the emerging markets (EMNEs) as the laboratory to interrogate the application of existing fruitful IHRM theory and to seek for alternative explanations (Cooke, Wood et al., 2019). Although it is argued that EMNEs face 'dual hurdles' when competing in the global market as a 'latecomer' and a 'foreigner,' their distinct employment behaviours, which are influenced by country-of-origin effects, and significant global success and presence stimulate interest and necessity for

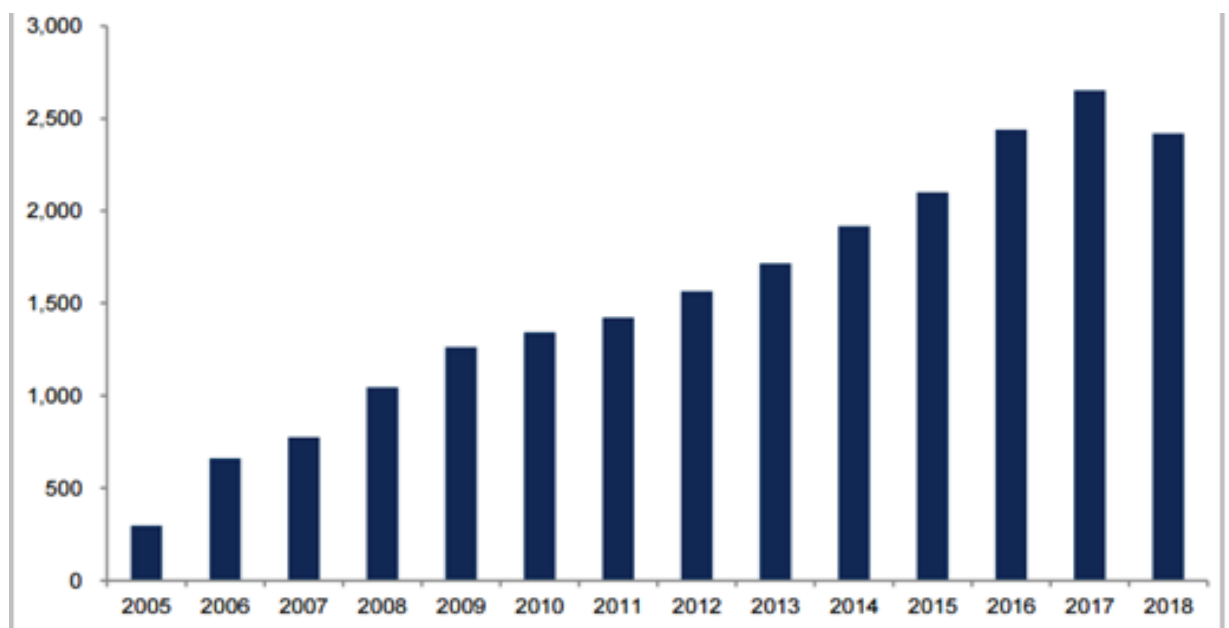
research(Cuervo-Cazurra & Genc,2008;Ouyang et al.,2019). EMNEs are multinational companies with the country of origin that are transitioning from developing countries to developed economies, such as Brazil, Russia, India and China (BRIC) (Kvint, 2010). So far, the field of Human Resource Management (HRM) related to the context of CMNEs remains in its infancy.

A few studies (e.g., Shen et al.,2005;Chang et al.,2012; Cooke 2011,2012,2014; Yang&Lin,2019;Lee,2009;Zhu,2019) focus on a wide range of IHRM activities/issues of CMNEs in the financial, manufacturing, telecommunication, mining and service sectors. Previous studies noted that the IHRM activities of CMNEs might be affected by institutional actors(Cooke&Lin,2012; Luo et al.,2010);dynamic internationalisation motives of top-management contingent on investment locations (Child & Rodrigues, 2005; Mathews, 2006); inadequate international experience (Gullien & Garcia-Canal, 2009); distinctive internationalisation route of subsidiaries (Bräutigam & Tang, 2011),and so forth. Nonetheless, scholars have paid scant attention to the implementation of efficient IHRM in the construction industry (Santoso & Loosemore, 2013), and in especially to the construction multinational companies in China (CCMNEs), despite the CCMNEs' significant global presence.

Djankov (2016,p7) inferred that the dominant motivations underlying the promotion of BRI, include China's intent on reducing trade costs and expanding the market for Chinese goods/service by facilitating infrastructure connectivity with other countries; and reviving Chinese construction companies and other businesses from the domestic overcapacity, etc. The top priority of the BRI

initiative, which is to improve infrastructure connectivity across countries, is encouraging CCMNEs (Chinese multinational construction enterprises) to get involved in numerous overseas major projects, such as rail, roads, seaports, and economic zones. In 2019, the turnover of China's overseas contract projects reached US\$172.9 billion, accounting for 13.7 % of the total Chinese OFDI flow scale in the same period (MOFCOM, 2020b). The total value of Chinese overseas contracts has dramatically increased by nearly nine-fold since 2005 (see below Figure1-1). Simultaneously, the increased overseas construction projects have led to a rise in the export of correlative production capacity and equipment.

Figure 1-1 Total Amount of Contract Value of Overseas Construction Projects (USD100 million)



Source: China Industry Information Web (2019)

Faced with the complexities of international construction projects, HRM is expected to be an efficient technique to promote international contractors' economic and social performance (Du, Liu, & Picken, 2012). The CCMNEs'

international employment behaviour has become a subject of ongoing debate (e.g.,Cooke, Wang & Wang,2018a). On the one hand, one literature camp suspects that Chinese contractors seem to have minimal interaction with local /region economies. For example, it has been reported that Chinese corporations intend to hire primarily Chinese employees, including managers and site workers, in some host nations(Cooke,2014),raising concerns about potential job losses in local community and limited knowledage/skill spillover (Jackson, 2014). Strikes of the local workforce have been witnessed due to disparities in compensation packages and social legitimacy failure (Cooke & Lin, 2012; Lee, 2009). When searching for the potential rational behind this organisational phenomenons, pieces of fragmented works,such as, Gassmann and Han (2004) argued that bureaucratic organisational structure, ineffective management capacity, poor financial ability and inadequate international experience of overseas project crippled the international competitive advantage of CCMNEs. In the same vein, the human resource management weaknesses of CCMNEs, which include inefficient management skills, high employee turnover, inflexible job arrangements, ossified reward and promotion policies, and inadequate training, have been considered as critical roadblocks to company's internationalisation progress(Zhai, Liu, & Fellows, 2013).

On the other hand, it should be noted that many of those critique fail to consider recent developments and the emprical evidence is sometimes case study-based (Tang, 2016).The contextual elements and industry characteristics have not been adequately examined when attempting to comprehend CCMNE's employment behaviour (Mamman&Wen,2021).For instance, Sun, Jayaram, and Kassiri (2017)

reported that governing African officials overseeing infrastructure growth in their countries often appraise Chinese contractors' cost-effectiveness and quick distribution as an added benefit. A recent major public opinion survey illustrated that infrastructure growth and business development are what Africans appreciate most about the Chinese presence on the continent (Lekorwe et al.,2016). Rui, Zhang and Shipman (2017) argued that the overwhelming ethnocentric staffing approach of CMNEs that features expatriating a large number of operational and managerial staff actually contributes to enhance the competitive advantage of company. This staffing approach is argued as one effective mechanism to maintain company's productivity and reduce operational risk, and, thereby, the company can provide cost-effective products and transfer knowledge to the host country. Meyer and Xin (2018) pointed out that the lack of international experience and talents might be the main constraints of CMNEs on attracting, developing, and retaining qualified overseas employees at the onset of internationalisation. Nevertheless, the situation will change along with the development of subsidiaries/project as they become more mature (Bräutigam & Tang, 2011).

As the world's largest employment sector, the construction sector is associated with dynamic participants (e.g., manual labour, professionals, suppliers). It possesses a fragile and project-based industry environment (Loosemore, Dainty, & Lingard, 2003). The geographic distance, cultural diversity, and organisational complexities generate enormous risks. When companies get exposed to varying contexts worldwide, the situation worsens. Multiple challenges from different institutional, industrial, and organisational contexts should affect CCMNEs'

employment activities which aim to achieve the business' international goals (Rosenzweig & Nohira, 1994), notably specific to industrial factors (Brewster et al., 2008; Cooke,2014). However, few writers have been able to draw on any comprehensive research into the activities of IHRM in CMNEs from this particular sector, except for pieces of fragmented works with an emphasis on discussing partial IHRM functions, such as staffing, industrial relationships (Cooke et al., 2018a),impact of industrial effects (Cooke&Lin,2012; Cooke,2014),and the real interests behind CCMNE's foreign investment(Kamoche & Siebers, 2015). However, integrated research focused on scrutinising the impact of institutional, industrial, and organisational determinants on the deployment and implementation of IHRM in MNEs from emerging markets,and its strategic consequences is insufficient (Quintanilla & Ferrer,2003).

In summary, continuous research into the characteristics, drivers, challenges, and strategic effectiveness of CMNEs' IHRM practices in general, and CCMNEs in particular, should be a priority within the IHRM domain. A holistic understanding of CCMNE's IHRM initiatives enriches and extends the IHRM scope by bridging the newly-formed literature gap due to limited exploration regarding the contexts of EMNEs in general and the construction sector in particular, despite the fact that they have evolved rapidly (Wilkinson et al.,2012). Increasing research enquiries have involved CMNEs due to the significant global rise of them over the decades.But conspicuously absent is the strategic HRM approach to the construction company (Loosemore et al., 2003), which might impede the development and globalisation of CCMNEs as well. Therefore, it is essential more than ever to explore and examine the recent developments in CCMNEs in

managing their vital international human resources to achieve their international success through dynamic practices. As one key element in the HRM system, human resource practices are strongly associated with organisational performance (Wright, McMahan, & McWilliams, 1994). The concern over how to create competitive advantage through effective HRM within MNE is hitherto subject to the focus on deploying and implementing international HRM practices (IHRPs) (i.e. staffing, training, developing, compensating). To examine the drivers and challenges behind the transfer and adaptation of IHRPs positioned in the overseas operations (i.e. subsidiary and affiliate projects) of CCMNE, therefore, are primarily research focal areas in this study.

### **1.2.2 An overview of the Chinese construction industry**

A brief introduction to the Chinese construction industry is provided in this section to offer a complete understanding of the research context. Construction is one of the pillar industries of China. According to the report by the National Bureau of Statistics of China (2016), the total gross value of the Chinese construction industry was 27,933 billion US dollars, accounting for almost 30% of the total gross domestic product (GDP) in China, with employment of over 51,850,000 employees in 2016. In 2020, a total of 9 Chinese construction companies out of 13 companies from the construction industry worldwide ranked in the Fortune 500 list, and most of them have remained fairly stable (see Figure1-2). China has the world's largest construction sector, representing almost 20% of all construction investments in the world (Mordor Intelligence,2020).

Historically, the People's Liberation Army laid the initial foundation of the Chinese construction industry. The government converted eight army divisions into the

same number of construction companies to undertake the key national infrastructure projects in 1952 (Lu & Fox, 2001). The initial international experience of Chinese construction enterprises can be tracked back to the 1950s, when China politically provided aid for African countries' infrastructure development. Prior to 1979, international involvement of mostly Chinese construction firms involved the international markets with financial support from the government to aid developing countries' infrastructure development and strengthen political bonds between the countries. After the 1980s, coping with China's open-door policy, the market-driven nature of state-owned multinational enterprises was set up, such as the China Construction Engineering Corporation and China Road and Bridge Corporation, etc. These state-owned enterprises (SOE), driven by profit motives, were approved to bid in the global market (Low & Jiang, 2003). After China joined the WTO in 2001, the development of CCMNEs has been accelerated. More and more private firms are exposed to international markets despite the dominant players still being large-scale state-owned enterprises (Reina&Tulacz,2004).

Chinese construction enterprises are now broadly categorised into five groups based on their ownership. These are state-owned enterprises, urban and rural collective-owned enterprises, rural construction teams, private firms and foreign companies (Lu & Fox, 2001). State-owned enterprises are still the primary undertakers in both the domestic and international markets, which possess distinctive organisational culture and employment behaviours (e.g., Xing et al.,2016). For instance, China became the largest contractor in Africa with a market share of over 40% in 2011 (Huang & Chen, 2016). The majority of



CCMNEs in Africa are state-owned companies (Lin & Farrell, 2013). As defined by the National Bureau of Statistics of China (2006, p53): "State-owned Enterprises refer to no-corporation economic units where the entire assets are owned by the state and which have registered in accordance with the Regulation of the People's Republic of China on the Management of Registration of Corporate Enterprises (the regulation)."

Figure 1-2 Chinese Construction Companies Listed in Fortune 500 in 2020

RANK ^	NAME	REVENUES (\$M)	ASSETS (\$M)	EMPLOYEES	YEARS ON GLOBAL 500 LIST
18	China State Construction Engineering	\$205,839	\$294,070	335,038	9
50	China Railway Engineering Group	\$123,324	\$152,982.5	302,394	6
54	China Railway Construction	\$120,302	\$155,597.9	364,907	9
75	Pacific Construction Group	\$97,536	\$63,694.6	453,635	7
78	China Communications Construction	\$95,096	\$232,053.4	197,309	13
157	PowerChina	\$67,371	\$139,084	180,416	9
353	China Energy Engineering Group	\$36,111	\$61,053.7	122,560	7
423	Shanghai Construction Group	\$29,746	\$36,935.4	42,762	1
477	China General Technology	\$26,559	\$28,310.4	43,197	6

Source: Fortune 500 List in 2020.

Construction is a demand-driven industry. The degree of infrastructure gap in one country/region determines to what extent the construction firms will be attracted (Ye et al., 2017). The huge economic and urbanisation development demands of some developing countries, such as Southern-Asia, the Middle East and African areas, attract most international contractors, including Chinese contractors.

During 1998-2001, the combination of Asia and Africa accounted for roughly 73% of overall international construction turnover (Lan,2010). They are evidenced as the leading occupiers of transport infrastructure contracts, power plants and factories (Kurimoto, 2019). Given the assignment of the Memorandum between China and the African Union regarding infrastructure construction cooperation for continental development, and the increasingly solid bilateral trade relationship between China and the Association of Southeast Asian Nations (ASEAN) (ASEAN became the largest trading partner of China in 2020), the African and ASEAN regions are most likely to remain as the dominant destinations of CCMNE's outbound investment. Given the representativeness of state-owned CCMNE within the international Chinese contractor community, this research, therefore, selects one iconic, large-scale state-owned CCMNE as the focal case under investigation with an emphasis on its overseas operations located in developing countries.

### **1.3 Research objectives and research questions**

Given the consistent literature calling for a better understanding of the strategic nature and pattern of IHRM activities in the relatively unexplored context of CCMNEs, it needs to fill the knowledge gap by providing the most recent empirical evidence, and broaden the discipline by examining the drivers, challenges, and consequences of IHRM practices deployed and implemented. IHRM's strategic nature must account for more influential variables at the national, industry, and organisational levels. Below, Table 1-1 illustrates the corresponding research objectives and questions which further clarify the research aims in detail. Figure 1-3 visualises the correlation between the three research objectives and the research questions of this study.

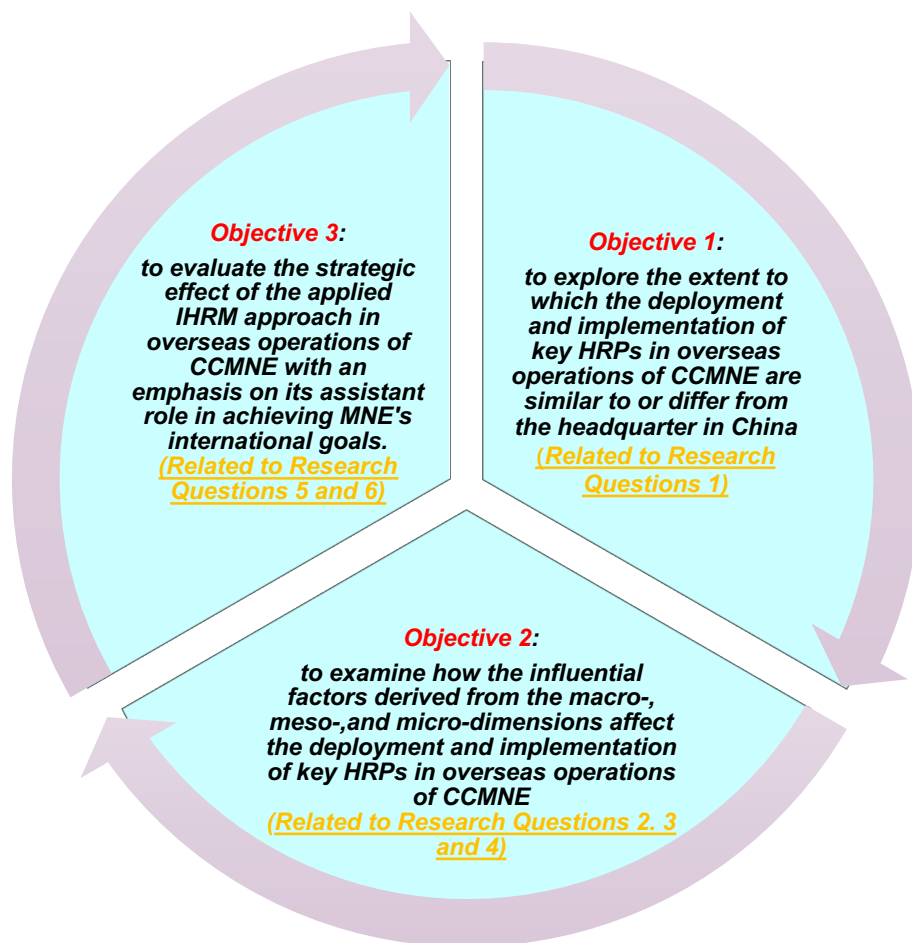
Table 1-1 Research aims, objectives and questions

Research Aims	Research Objectives	Research Questions
How	<p><b>Objective 1: to explore the extent to which the deployment and implementation of key HRPs in the overseas operations of CCMNE are similar to or differ from the headquarters in China.</b></p>	<ul style="list-style-type: none"> <li>➤ <i>What are the similarities and differences between CCMNEs subsidiaries and the headquarters pertaining to the deployment and implementation of key HRPs (e.g., recruitment and selection, training and development, and compensation)?</i></li> </ul>
Why	<p><b>Objective 2: to examine how the influential factors derived from the macro-, meso-, and micro- dimensions affect the deployment and implementation of key HRPs in overseas operations of the CCMNE.</b></p>	<ul style="list-style-type: none"> <li>➤ <i>How do national factors such as government influence, legal requirement, and cultural differences affect the deployment and implementation of key HRPs in the CCMNE's overseas operations?</i></li> <li>➤ <i>How do sectoral factors such as the nature of industry and international competition affect the deployment and implementation of key HRPs in CCMNE's overseas operations?</i></li> <li>➤ <i>How do organisational factors such as competitive strategy, headquarters' international orientations, and the organisational stage of internationalisation affect the deployment and implementation of key HRPs in CCMNE's overseas operations?</i></li> </ul>

Research Aims	Research Objectives	Research Questions
Audit	<b>Objective 3:</b> to evaluate the strategic effect of the applied IHRM approach in the overseas operations of the CCMNE with an emphasis on its assistant role in achieving MNE's international goals.	<ul style="list-style-type: none"> <li>➤ How does the contemporary IHRM solution employed by CCMNE contribute to the attainment of organisation's strategic international goals?</li> <li>➤ How can CCMNE improve the strategic efficacy of the IHRM approach in future development?</li> </ul>

Source: developed by the researcher

Figure 1-3 Linkages between research objectives and questions



Source: developed by the present researcher

#### **1.4 Research rationale and significance**

***Theoretical Enquiries:*** In the field of IHRM, three main themes are expatriate management, global human capital development, and IHRM policies and practices transfer in the MNEs (Fan et al., 2021). Under the theme of IHRM in MNE, MNEs are required to obtain resources from outside the organisation as well as utilise and maintain persistent competitive advantages within the organisation due to increased worldwide competition and growing dynamic strategic needs. IHRM encompasses tangible and intangible resources which enable the MNE to surpass international competitors (Schuler, Budhwar, & Florkowski, 2002). The emergence of the resource-based view (RBV) (Barney, 1991, 2002) and the resource dependence perspective (Pfeffer & Salancik, 2003) supported the argument that the establishment of a sophisticated and efficient HRM system can be one way to generate a company's new sustained competitive advantage since it is costly to imitate (De Cieri & Dowling, 2012; Wright et al., 1994; Taylor et al., 1996). In other words, MNEs' human resource management should contribute to their competitiveness by appropriately recruiting, developing, and retaining a committed and skilled workforce (Harvey & Novicevic, 2003). However, as an open system, MNEs cannot evade the external environment's enforcements on IHRM in the organisation. As a result, it is reasonable to examine the administrative complexity and obstacles in IHRM operation in MNEs in detail and under a dynamic perspective (Boxall & Purcell, 2000).

Given the premise that IHRM is elevated to become a strategic element of MNEs, one popular research stream emphasises grasping the strategic nature/role of IHRM. In essence, linking the IHRM to the strategy of business refers to an

effective managerial approach for attaining organisational international goals and objectives through strategizing IHRM initiatives(i.e. functions, policies and practices) at both headquarter,subsidiary, and individual levels (Schuler, Dowling, & De Cieri, 1993; Taylor, Beechler, & Napier, 1996). Although numerous fundamental conceptual models have been set up to define the strategic demenstions of IHRM, and speculate on what the connection between IHRM function/policies/practices and underlying influential actors is, and what the effect of IHRM has on MNE's international performance(e.g.,Dowling, 1999; Schuler et al., 1993; Schuler & Tarique, 2007; Shen et al., 2005; Stor, 2014; Taylor et al., 1996; Zheng, 2013), there is still much more to be found on this subject when it comes to dynamical context.

First,most existing relevant IHRM conceptual frameworks or research agendas lack solid support from empirical evidence (Tarique et al., 2015), particularly for MNEs from the emerging markets (Thite et al., 2012). The criticisms about the disconnect between research output and business application (Holton & Burnett, 1997; Lynham, 2000) call for further in-depth and most recent empirical insights to grasp the global complexities inherent in IHRM approaches.Also,greater effort should be made toward effectively bridging the theory-practice divide by connecting IHRM horizontally and vertically to the MNE via more integrative/interdiscipline viewpoints(Schuler et al.,2007; Cooke, Wu, et al., 2018; De Cieri & Dowling, 2012). The trajectory and status of internationalisation of EMNEs keep changing at a rapid rate. For instance, the application of prevailing theoretical explanation as 'latecomer' theory (Luo & Tung, 2007), which argues that most EMNEs go abroad driven by learning motives due to their inadequate

international competence and resources as a latecomer, appears to encounter certain gaps in reflecting the realities of today's EMNEs. Several EMNEs, particularly CMNEs, are perceived to be the global industry leaders in certain sectors, and their strategic positioning has shifted from 'catching up' to gain world leadership (Cooke et al., 2018a; Ramamurti&Hillemann,2018). In today's VUCA (volatile, uncertain, complex, and ambiguous) global environment, conventional theoretical/empirical explanations may not be adequate or applicable in elaborating the contemporary IHRM development in specific contexts (e.g.,De Cieri & Dowling, 2012). It is necessary to echo the consistent research calls by taking some new perspective avenues, such as 'liabilities of country-of -origin effects' or integrated analysis methods for gaining holistic understanding of the pattern of SIHRM in the context of EMNEs (Cooke, Wood. et al., 2019; Schuler et al., 2007). Additionally, because the majority of conventional audits of IHRM performance are based on economic indicators (Schuler&Tarique, 2007), the efficacy of IHRM in satisfying the strategic needs of MNEs is overlooked, necessitating further investigation (Flokowski&Schuler,1994).

Second, Schuler et al. (2002) indicated that establishing IHRM models and frameworks that reflect the diverse range of contextual elements that exist in a variety of contexts is necessary for solidifying the application of existing IHRM theory or for proposing alternative explanations. Mostly previous strategic IHRM related models were created within Western developed countries, so lack empirical evidence support the MNEs from emerging markets. Wilkinson et al.(2008) discovered that firms from emerging markets use IHRM strategies differently. Owing to the current turbulent and competitive globalisation

environment, the IHRM domain is consistently calling for more research to advance the field by taking the contextual factors of EMNEs into fully account (Cooke,Liu. et al., 2019; Deng, 2013; Thite, Wilkinson, & Shah, 2012; Child,2009).The uniqueness of EMNEs is characterised by distinctive internationalisation motives, strategies, behaviours, speed, scope, and preferential investment destinations (Child & Rodrigues, 2005; Madhok & Keyhani, 2012; Mathews, 2006; Ramamurti&Hillemann,2018), which obviously have significant implications for their IHRM configurations and implementations. For instance, EMNEs originating from relatively underdeveloped institutional environments need to respond to different environmental risks and organisational challenges compared with their counterpart MNEs from developed countries when they attempt to transfer HRM practices across borders (Ayentimi, Burgess, & Brown, 2018).However, it is believed that they seem to develop particular competences in order to survive institutional voids in certain host countries.(Wood et al.,2004).

Third, most recent studies in terms of IHRM in EMNEs give more attention to exploring the HR activities employed in their subsidiaries located in developed countries/markets (Fan et al., 2013,2016; Khan et al., 2019; Shen et al., 2005; Zheng, 2013;Ouyang et al.,2019). However, the nature of IHRM in EMNEs might change when grafted into the context of transnational host countries or less-developed host countries. Because it has been long acknowledged that a global South-South relationship might differ from that of a North-North or North-South relationship (Andreeva et al., 2014; Jackson & Horwitz, 2018,Wilkinson et al.,2014). For instance, EMNEs seem more likely to adapt to local IHRM modes



when operating in developed host countries than in developing host countries (Fan et al., 2016). Because they are generally capable of overcoming the institutional voids in the less-developed countries (Wood et al., 2014) but face 'legitimacy incapability' in the developed markets (Luo et al., 2010). However, Gaur, Delios, and Singh (2007) claimed that sometimes informal institutional factors derived from developing host countries, such as the norms of tolerance of corruption, might foster the conformity of MNE's practices to local specifics. Thus, empirical facts must be added to uncover the realities about IHRP transfer process in the EMNE operating in developing host countries.

***Practical Enquiries:*** As mentioned earlier, the significant engagement of CCMNEs in the international market has drawn much more attention than ever, including the researchers and practitioners who are interested in the HRM management of project-based companies and the implications of BRI from multi-perspectives (Huang & Chen, 2016; Meng & Nyantakyi, 2019). Broadly speaking, the impact of the industry environment can not be overlooked when examining the IHRM in EMNEs (Clark et al., 2002; Shen, 2005). However, most earlier studies of this type ignored the nature and characteristics of a particular industry's products in favour of focusing on competitive pressures. There is a dearth of empirical research regarding IHRM in the construction industry, particularly from the strategic perspective, although the industry contingencies of the construction sector should add value to the research area by generating new knowledge (Loosemore et al., 2003). For instances, Santoso and Loosemore (2013) argued there was a huge distinction between the implemented expatriation management by Australian construction firms and what is described as 'good practice' in the

IHRM literature. Specifically, given Australia's case studies, expatriate recruitment in construction firms is often ad-hoc rather than conscious human resource planning. The technical competence of expatriates is the most important criteria applied during selection. The training of expatriates is often outsourced, and the repatriation system is poorly managed. As a result, overseas assignments are seen as a barrier to expatriates' career development. Based on the insights from UK construction firms, Druker et al. (1996) found that a set of 'hard' HRM practices are employed towards manual workers, but relatively 'soft' HRM practices might be expected when it comes to non-manual workers.

In view of the construction firms from the emerging markets, Zhai et al. (2013) argued that organisational learning is an influential factor in the correlation between HRPs (staffing, training, rewards, and employment relations) and organisational performance. Chinese construction firms should consider appropriately utilising HRPs to enhance organisational learning in future development. Cooke (2012, 2014) revealed that the different work norms, language barriers, undeveloped employee capability, and traditional mind-set of Chinese international managers in construction firms might be the obstacles to recruit local nationals when they operate in less-developed countries. Cooke et al. (2018a) further highlighted that there are heavy interactions between Chinese leading construction firms, subcontractors and employment agencies when CCMNE organise their overseas labourers. Also, they believe that CCMNE appears to employ certain tactics, such as contracting Chinese dispatched workers with short-duration employment contracts and providing organised living spaces, to exert tight control over the Chinese dispatched workers to maximise

international productivity. It therefore exposes the inadequacies of legal and institutional issues inherent in the Chinese labour relationship system. Other than the above studies, more recent similar observations include the researches of Kamoche and Siebers(2015), Fei and Liao(2020), Xing et al.(2016), to name a few. Thus, in light of the continuous critiques of CCMNEs' international employment practices, further investigation and explanations are required to account for the impact of numerous significant factors, most notably industry characteristics, on IHRM deployment and implementation.

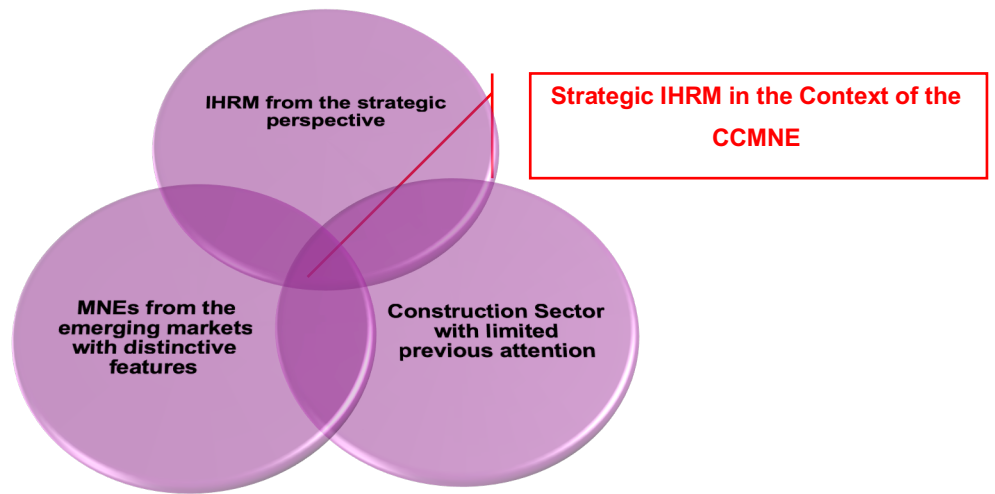
**Research Significance:** Drawing on the above discussion, the theoretical and practical research enquiries stimulate the research objectives of this study as providing the most recent empirical evidence about how CCMNE manage its international workforce, analysing the underlying rationale that underpins the IHRPs deployment and implementation, and assessing the effectiveness of IHRM approach from the strategic and development perspectives. By this means, this study fulfill the research gap by taking off the veil of SIHRM application and development in a relatively under-explored context as an EMNE from construction industry(see Figure 1-3).

Furthermore, It echoes the consistent research call and extend the knowledge scope by bridging the theory and practice gap for examining the utility of existing theoretical model in distinctive context. In particular, the examination on SIHRM approach in the context of EMNEs is still at its infancy despite this topic might become a research focus over the coming decades (Gao, Liu, & Zou, 2013). The novel contextual and industry factors embedded in CMNEs in the construction

sector operating in another developing country should provide an excellent laboratory for testing existing theory, which could result in contributions to knowledge by providing empirical confirmation of theory or alternative explanations due to effects of national, industry, or organisational variables.

This research has salient practical contributions as well. The effectiveness of the IHRM in the globalisation process is closely related to the MNEs' productivity and strategic objectives (Dicken, 2007). The findings of this research are expected to benefit human resource management practitioners who aspire to improve firms' international competitiveness by developing the SIHRM system in an EMNE. They can take this case study of one successful CCMNE as one reference to be aware of the strengths and weaknesses of its IHRM practice transfer process, the impact of critical important elements on SIHRM, and the strategic success of SIHRM solutions. Besides, it can enhance the utility of this holistic research by contributing insights and findings to practitioners from multiple disciplines, such as those from project management and international business studies, who might be interested in project-based workforce management or the internationalisation footprint of CMNEs.

Figure 1-4 Research Rationale



*Source: developed by the present researcher*

## **1.5 Structure of the thesis**

According to the specific research aims, objectives, and questions, this thesis is divided into eight chapters. The first chapter offers a brief introduction to the study background and the establishment of the research scope. It demonstrates how an awareness of the context as MNEs operating in the construction sector in an emerging market can add value to IHRM knowledge by filling in gaps in the literature as investigating the transfer, drivers, and strategic effectiveness of IHRM practises. The research aims, objectives, and particular research questions are delineated in Table 1-1.

The second chapter is the literature review. It begins by providing a foundation of knowledge by discussing the fundamental concepts of IHRM, IHRPs, and SIHRM. It further focuses on critically reviewing the prior salient theoretical and empirical findings with implications for the SIHRM topic in the context of Chinese MNEs and identifying the literature gap. In the second part, this study set forth to

critically review the external context specificities of the CMNEs from the mainstream literature and propose the potential factors that might interact with the implementation of IHRPs in CCMNEs given the leads from prior SIHRM theoretical frameworks in the second part. Following the same logic, the potential internal influential factors have been reviewed in the third subsection. Given the third research objective, it gives new light on how to modify the effectiveness audit criteria for IHRM solutions from a strategic perspective, with a particular emphasis on examining the strategic features of the SIHRM approach (i.e. balance between global and local forces). As a consequence, an initial conceptual framework (Template one) has been developed and proposed for demonstrating the linkages between external and internal influential factors and the key IHRPs in CCMNE. Also, it predicts the potential implications of the CMNE's international objectives.

Chapter three focuses on the discussion of the research philosophy and the selected methodology for achieving the research objectives. The selected in-depth qualitative research design is appropriate to fulfil the research objectives, and it also meets the theoretical inquiries that call for the utilisation of some pragmatic research approaches (Cooke, 2014). The essence of this research determines the validity of taking a single embedded case study to provide in-depth, rich and detailed data in a natural setting from a small sample to address the particular research questions of this study. The selected large-scale CCMNE is featured as the 'flagship' organisation, which gained significant development under the promotion of BRI. Template analysis was chosen as the analytic approach with the help of NVivo software. The template analysis is well suitable

for analysing one particular context due to its flexibility in closely linking theory and collected data (King, 2004). Finally, this chapter discusses the validity and reliability of the collected data with consideration of research ethics guidelines set by the University of Manchester.

Chapters four, five, six, and seven present the empirical results, analysis, and discussion based on the collected qualitative data. They are in response to the three respective specific research objectives. Each of these three chapters introduces, interprets and discusses the findings, focusing on addressing the specific research questions relevant to each research objective. With the emphasis on the outcomes of the case study, which considers the influencing roles of external and internal factors, a holistic picture of the implemented SIHRM approach in the particular context of CCMNE is unveiled. Compared with previous research, it sets forth to evaluate the practical effectiveness of the IHRM approach of the case company from a strategic perspective rather than from an economic performance perspective, and recognise the recent IHRM evolution trend in the CCMNE. Based on the case findings, this research also makes recommendations on how the CCMNE can improve its IHRM approach and corporate internationalisation by delivering localisation tactics. The empirical-based key findings for addressing each research objective are summarised and explained in the final section.

In the final chapter eight, the main findings are summarised, and the theoretical and practical contributions of this thesis are highlighted. A final analytical template is presented to wrap up the main findings of this research and guide future IHRM

research in a similar context. It entails research avenues, IHRM issues, rationality and sequences in the context of CCMNEs specifically. The research limitations and implications for future research are covered at the end.



## **CHAPTER TWO:**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter sets the theoretical foundation of this thesis by proposing a comprehensive conceptual framework for depicting the key IHRM issues, underlying relevant influential factors, and the outcome regarding IHRM transfer in CMNEs from a strategic perspective. While conventional international HRM literature gives much more singular attention to certain roles of IHRM in the MNE, such as the role in expatriation management (Sparrow, Schuler, & Susan, 1994) and international staffing (Fan et al., 2021), this thesis will take a more integrated analysis from the macro-, meso-micro- dimensions to investigate the relationship between organisational strategy and IHRM practices deployment and implementation, as well as the strategic effects of the contemporary IHRM solution. It emphasises the staffing, developing and rewarding practices in the overseas operations of CMNEs in general and CCMNEs in particular.

Given the leads of three research objectives and the solidated SIHRM theory, this literature review is structured as follows. Firstly, to comb the knowledge foundations of IHRM and SIHRM, and to demonstrate the existing literature gap. Then, to critically review the extant main literature to predict the potential key determinants from external and internal level that might affect the SIHRM in CMNEs. Also, to propose a linkage between SIHRM approaches and CMNE's international goals. Finally, to summarise the major themes and present in the

initial conceptual framework that will serve as a guide for the further data collection and analysis.

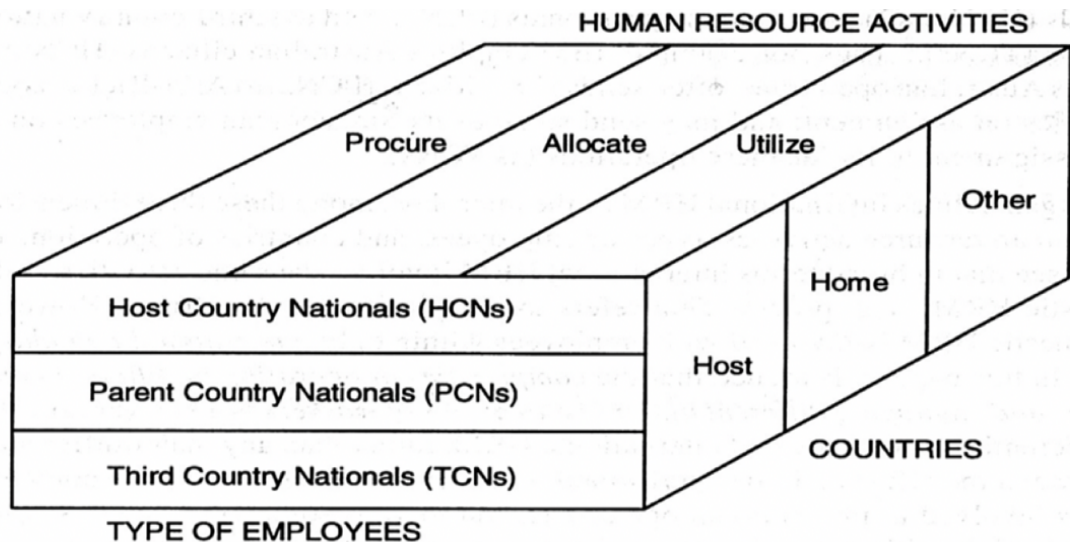
## **2.2 Key concepts of International HRM**

### **2.2.1 The nature of International HRM**

The field of HRM is divided into three main sub-areas: micro-HRM, strategic HRM, and international HRM (Boxall & Purcell, 2015). Although IHRM is founded on domestic micro-HRM theory and the essential roles of domestic and international HRM are similar, the two concepts still contain significant distinctions. In light of the fundamental model proposed by Morgan (1986), IHRM encompassed the interplay of human resource activities, types of employees, and countries of operation. Figure 2-1 illustrates the essence of international human resources activities in MNEs with the emphasis on procurement, allocation, and utilisation of employees from the parent country nationals (PCNs), host country nationals (HCNs) and third country nationals (TCNs) at geographically dispersed subsidiaries. How to manage these international assignees (expatriates) has become vital. For example, MNEs might face more challenges regarding dealing with the differentiations embedded in the remuneration and benefits systems of expatriates, which should take additional consideration of local regulations on tax and subsidies. Also, the higher cost of expatriate failure and more engagement in expatriates' personal lives might be attributed to the risks of IHRM in the MNE (Dowling, 2008). Dowling (1999) claimed that managing diverse international workforces is one key element which differs IHRM from domestic HRM. His paper further emphasised the moderating role of cultural awareness, the degree of importance of the domestic market, attitudes of senior management

and the industry contingencies contributing to the complexities of IHRM when compared to solely domestic HRM. The classic work of Bartlett and Ghoshal (2002) highlighted the essence of the MNE as a firm which needs to be coordinated or integrated in some form and to be distributed worldwide. The conflict derived from the enforcement of integration and the nature of distribution determines MNEs' concerns about balancing organisational 'globalness' and 'localness' simultaneously in various ways (Adler & Bartholomew, 1992). As one important managerial function of MNEs, IHRM consequently endeavours to respond to the dual pressures appropriately, which would differ from the implementation of HRM in a single nation (Schuler et al., 2002). In short, the primary distinctions between IHRM and domestic HRM are manifested in the environment's complexity, dynamic interactive elements, and the distinct strategic objectives of IHRM.

Figure 2-1 Model of International HRM



Source: adapted from P.V. Morgan, 1986, p44

Given the significant globalisation that has occurred since the mid-1980s, three

main research discourses have emerged that place a premium on studying and analysing the nature and impacts of IHRM(Dowling, 1999). They are the studies about individual behaviours in the international context based on the cross-cultural management perspective (Adler & Gundersen, 2007), the comparative HRM system and structure in diverse countries or regions (Brewster, Mightrhofer, & Farndale, 2018) and the focus on the HRM specialist in the context of multinational enterprises (Björkman & Welch, 2015). In the early work of the IHRM field, the research spotlight was placed on cross-cultural management (De Cieri & Dowling, 1999), such as expatriates management (Kochan, Dyer, & Batt, 1992). In recent decades, research on global human capital development, such as global talent management, and the deployment and implementation of IHRM policies and practices in MNEs, such as strategic IHRM, have become more prominent (Fan et al., 2021)

There is no denying that MNEs and their overseas subsidiaries are crucial to the current global economy as communication and transportation technologies have been transformed over the last 50-year span. According to the definition of Sundaram and Black (1992, p73): "MNEs can be defined as any enterprise that conducts transactions within or between two sovereign entities, operates under a decision-making system that allows for influence over resources and capabilities, and where transactions are influenced by factors exogenous to the enterprise's home country environment." Tarique et al. (2015, p12) defined IHRM in the context of MNEs as follows: "the study and application of all human resource management activities as they impact the process of managing human resources in enterprises in the global environment. Typically, HRM activities

include at least human resource planning, staffing, performance management, training and development, compensation and benefits and labour relations within organisations.” In essence, the research hubs in terms of IHRM in MNEs can be recognised as the HRM issues, drivers, and challenges faced by MNEs when going abroad (Stahl, Björkman, & Morris, 2012).

Narrowing down the research context of this study to examine the IHRM in MNEs, there are two main research directions in the latter decades. The first direction focuses on investigating the strategic role and nature of IHRM, in which area it shows a tendency to develop fruitful theoretical frameworks based on different theoretical perspectives since 1990 (Ruyseveldt & Harzing, 2004). Literature termed the research stream, which emphasises strategizing policies and practices in IHRM for achieving the MNE’s international objectives, as ‘strategic international human resources management’ (SIHRM) (Schuler et al.,1993, 2002). At the onset of this research field, most researches highlighted the additional control and coordination enforcements faced by HRM initiatives when the company went international (Sparrow et al., 2016). However, the MNEs gradually realised that the HRM was encountering significant difficulties in effectively implementing global strategy in different host countries (Adele&Bartholomew,1992). As a result, the literature argued that IHRM in the MNE should be considered as one strategic partner rather than only a supportive component. For instance, Schuler(1992) stated that effective HRM should systematically integrate with the strategic needs of the firm, as well as cohere with organisational hierarchies. The added value of the HR functions in the MNE is acknowledged as the ability of it to coordinate vertically with the organisational

needs and horizontally with the local needs (Brewster, Sparrow, & Harris, 2005). Hence, combining the strategic needs when deploying IHRM activities might allow the MNE to outperform those competitors from international markets (Peterson, Napier, & Shim, 1996). However, in this domain, the absence of a strong link between empirical evidence and the theoretical framework, as well as the inadequacy of integrative perspectives on SIHRM, are widely criticised (Briscoe & Schuler, 2004). The evolution of SIHRM discourse will be critically discussed in detail in the next subsection.

The second research direction prioritises the configuration of IHRM in the overseas subsidiaries of MNEs, particularly those MNEs from non-US countries, and the subsequent implications for organisations' international operations (Horwitz, Kamoche, & Chew, 2002). In other words, it is the debate of 'convergent-divergent-cross-vergent mode' in IHRM policies/practices deployment and implementation of MNEs from different country-of-origin (Fan et al., 2021; Budhwar, Varma & Patel, 2016). The generic IHRM-related research was rooted in MNEs from the U.S., Japan, and Europe, and then spread into MNEs from other countries. Nowadays, the context of MNEs from emerging markets has come under the research spotlight due to the upsurge in global OFDI from emerging markets. In view of the convergence perspective, the HRM policies and practices of MNEs originating from different contexts might become similar along with the synchronised development of technology (Björkman, 2002; Zhu & Warner, 2017). Based on this premise, one sound and best approach to IHRM might be able to apply everywhere. Conversely, the divergence perspective assumes that organisations and their managerial practices are significantly shaped by both

varying cultural and institutional forces (Pudelko & Harzing, 2007; Whitley, 2000). A global convergent HRM is less likely to emerge because of the differences in cultural and institutional systems across countries (Branson, 2001). In reality, a new form of eclectic and hybrid IHRM model is illustrated in some organisations. It synergistically integrates both 'best practice' and the locally customised conditions (Horwitz, 2012; Sparrow et al., 1994), in particular in the MNEs from emerging market.

Following the same line, curiosity regarding how MNEs from different origins transfer their HR practices within organisations has increased the amount of relevant empirical research (Chiang et al., 2017). IHRM policies and practices transfer across borders is one key theme when it comes to studies regarding how MNEs manage their global workforce (Brewster, Mightrhofer, & Smale, 2016; Chiang, Lemański, & Birtch, 2017). Although the core functions of human resource management activities are the same in both the domestic and international setting, this is not to say that IHRM policies/practices adopted in a single country can be directly transferred to a multinational context without modification. As one of the most environmentally sensitive management functions (Beamond, Farndale, & Härtel, 2016), IHRM in MNEs' overseas subsidiaries may be required to respond to the enforce of local isomorphism (Rosenzweig & Nohria, 1994), which includes linguistic, cultural, political, and legal distinctions between the home and host countries. Previous theoretical frameworks has affirmed that the IHRPs transfer should interact with a broader range of external and internal variables within and outside the organisation (Dowling, 1999, 2008; Edwards, 1998; Edwards & Kuruvilla, 2005; Zhang & Edwards, 2007).

Literature mentions two generic forms of IHRM diffusion in MNEs, which are forward diffusion and reverse diffusion (Edwards,1998; Zhang&Edwards,2007). Research in this area begins with the questions: “How can best practises be transferred to our overseas subsidiaries?”, and “What’s the impact?” (Belanger, Ewards, & Wright, 1999). The effect of ‘dominance practice’ has been noticed, which refers to the practices that are generated by the MNEs from those developed economies with a relatively better economic performance within the international economy (Zhang & Edwards, 2007). With the growth of EMNEs, the reverse diffusion of HRPs signifies the transfer of IHRM activities from the overseas subsidiaries back to the headquarters at emerging countries (Edwards & Ferner, 2004a). Lyles, Li, and Yan (2014) argued that CMNEs tend to take a so-called ‘experimental-learning oriented’ approach when moving abroad, in which Chinese expatriates are more likely to implement the strategies of experimentation and improvisation for learning the local experience, and then transfer knowledge reversely. By this means, the organisation might gain new competitive advantages by properly combining both worldwide sound practices and the locally customized practices (Zhang & Edwards, 2007).

When it comes to the future research agenda of this research domain, Schuler et al. (2007) stated that there are two focal research areas to develop. First, to develop effective practices for enhancing knowledge transfer across borders and encouraging a global mindset for gaining global competitive advantage. Despite the knowledge transfer and sharing, Werner (2002) and Fan et al.(2021) posited that global talent development and expatriate management might become two main research issues in this discipline. On the basis of the



systematic literature review of IHRM in the aspect of MNEs during the past 15 years, Cooke, Wood, et al. (2019) highlighted that the surge of EMNCs has drawn current research into the study of EMNE's IHRM issues, such as the intensive expatriation of unskilled and semi-skilled workers. More of these issues will require a fuller investigation in the future.

### **2.2.2 The nature of International HRM practices and the research construct**

Although the primary purpose of this study is to examine the strategic IHRPs in the CCMNE, it is necessary to clarify and illustrate the specific research concept and scope regarding the notions of practices in IHRM. Schuler (1992) proposed a '5-P' model in strategic HRM which classifies the key HR activities in aspects of a business into five terms:

- HR philosophy: a statement of how an organisation treats and values people;
- HR policies: a guideline for action on people-related business issues and for the development of HR programs and practices based on strategic needs;
- HR programs: which are shaped by HR policies and make efforts to align with organisational change and strategic need;
- HR practices: these are the activities carried out in implementing HR policies and programs, which include planning, staffing, training and development, performance appraisal and compensation. HR practices might provide cues for group participation in problem solving, training in statistical measurement of quality control, and the like;

- HR process: the formal procedures and methods used to put HR strategic plans and policies into effect.

In line with above definitions, HR practices (HRPs) can be understood as the “the implementation and experience of an organisation’s set of formal day-to-day HR activities used by lower-level managers and employees” (Arthur & Boyles, 2007). The HRPs are shaped by HR policy and programs. In this research context, the IHRPs apply to a set of main day-to-day HR practices which are implemented by managers and employees in the overseas subsidiaries of state-owned Chinese multinational construction enterprises and their affiliate overseas projects. The most strategic essential IHRM practices of any MNEs are those practices relating to recruitment and selection, training and development, and rewarding (Dowling, 2008).

***International recruitment and selection*** is the main function of IHRM in which HR managers should be heavily involved in strategy formulation (Dowling, 1999a). The key tasks of recruitment include attracting a pool of eligible candidates with varying appropriate sourcing approaches. Selecting focuses on appointing the most suitable person to the post after scrutinizing their capabilities, qualifications, and personal qualities through interviews and assessment. Parent-country nationals, host-country nationals, and third-country nationals are the three main types of employees that constitute the workforce of international assignments. The process and function of recruitment and selection in MNEs are therefore more complicated since the composition of a global workforce is dynamic.

Dowling (1999a,p69) summarised three key concerns that international recruitment and selection by MNEs should address. The first is about what type of candidate should be appointed to the key positions at headquarters and overseas subsidiaries. Second, MNEs should develop adequate competence to attract the right candidates. The last concern is about the affect derived from host countries' key institutions on recruitment, such as immigration regulations and visa applications. The composition of the global workforce in the overseas subsidiaries might to some extent reflect the operational needs of MNEs. For example, when MNEs fill overseas managerial posts with majority parent-country nationals (PCNs), it usually implies that headquarters has given more priority to control over the units of the company or to enhance knowledge transfer (Torbiörn, 1997). It also relates to the senior management orientation, which is built on the international staffing philosophy derived from the EPGR model (Perlmutter, 1969). It will be reviewed in detail as one key influential factor in the next section 2.3. But broadly speaking, the conventional empirical evidence suggests that most MNEs seem more likely to employ PCNs for executive positions, and HCNs and TCNs for posts in middle or lower managerial positions (Davies et al.,2008). Of course, there is no way to exhaust all situations. The widespread employment of non-skilled or semi-skilled expatriates in some sectors might demonstrate a distinct IHRM model, which has only been partially explored (Wood, Brewster, & Brookes, 2014).

In fact, Collings and Scullion (2006) pointed out that most expatriates are recruited internally rather than externally, and the challenge faced by international HR professionals is to persuade the managers at headquarters to assign the most

qualified staff internationally. Therefore, the main responsibility of international selection seems to reside in expatriate selection. Selecting suitable and qualified expatriates for international assignments depends on the application of appropriate and effective selection criteria. It should be a significant IHRM problem, as it reports on the high cost of expatriate failure (Tung, 1981). Dowling (1999a) proposed six dominant factors that might interfere with the selection of expatriates: technical and managerial competence; cross-cultural ability; constraints of the host country; language barriers; organisational expectations; and family issues. With respect to HCNs' selection at overseas subsidiaries, the legislative requirements and social customs of the host country need to be included in the selection process. In practice, Harris and Brewster (1999) found another more informal expatriate selection system, which is termed the 'coffee-machine system'. Based on the case of British MNEs, it seems most expatriate selection decisions are made through informal chat during staff coffee breaks. Based on the investigation into Chinese expatriates' cross-cultural skills, Wang, Fan, Freeman, and Zhu (2017) found that, in general, Chinese expatriates are relatively incompetent in their cross-cultural skills (stress management, interpersonal, perceptual, and communication skills). However, when Chinese expatriates work in different host countries, they may require a diverse set of cultural skills due to the degree of cultural variation between the home and host nations.

***International Training and Development*** emphasises the improvement of individuals' knowledge, skills, and abilities. The training programmes deal with reskilling employees with the requisite know-how and knowledge. The

development refers to the cultivation of the managerial ability of employees related to future postings (Dowling,1999a,p155). The core competitive advantages of in-house human capital are generated from the accumulation of individual knowledge, skills, and abilities, as well as recognisable know-how which a company builds up over time (Kamoche, 1996a). Training and development are the vital methods for companies to develop their human resource pool and, therefore, many successful MNEs have established their own training institutions and enterprise universities, such as McDonalds and Huawei.

The training and development programmes in MNEs can be broadly classified into two main forms: training for expatriates and for host staff. With respect to the training of expatriates, the generic literature highlighted the following questions: whether organisations organised pre-departure preparation training programmes for expatriates and whether the training programmes were mandatory or voluntary. Usually, the preparation training programmes prioritise developing cultural awareness for the expatriates, for example, briefing them on the host country's basic environment, cultural assimilators, field experience, and language for individuals and their families (i.e. spouse and children)(Dowling, 1999a,p157). In fact, international assignments can be taken as an effective development approach to enhance an individual's skills acquisition and career advancement (Feldman & Thomas, 1992; Tung, 1998). Indeed, career advancement is noted as a strong and long-term motive for international managers (Yan, Zhu, & Hall, 2002), and it is the same with those local host managers and talents from the third-country. For instance, in the case of joint ventures, training programmes are considered as one incentive approach for HCNs to gain technology or skills

acquisition. With regards to training for local staff, the cost and outcome of training programmes for productivity become the central concern of an organisation (Tarique et al., 2015). The cost and outcome of local training are interlinked with several factors, including the competence of local employees and expatriates (Cooke&Lin,2012), which has consequences for whether to replicate headquarters' training modes or localise them.

***International Compensation Practices*** of MNEs are more sophisticated than domestic organisations, since MNEs must cater for three categories of employees, and also incorporate strategic intent into economic management (Lowe, et al., 2002). An effective compensation system depends on its ability to achieve the main objectives of attracting, retaining, and motivating employees (Milkovich, Newman, & Milkovich, 2002). Beyond the importance of compensation practices for expatriates, the nature of the compensation structure and benefit programmes of the HCNs and TCNs are acknowledged as the key contributors to MNEs' good performance (Locke, 2004; Reynolds, 2000). Effective compensation practice in one country might be different from others since it is intensively shaped by local needs, values, and expectations (Bradley, Hendry, & Perkins, 1999). Several factors show interaction with the deployment and implementation of compensation practices. For example, the host country's regulation of employment and taxation, customs, currency fluctuations, the effect of inflation on compensation, and various allowances assigned to different countries. For some authors, the practices in the rewards system go far beyond a pay approach, but a mechanism to empower the organisational culture (Kerr &

Slocum Jr, 2005). In the real world, the reward system of MNEs evolves at a fast rate and has become more global (Chen,1995).

The central issues regarding the implementation of international compensation practices are the appropriate composition of expatriates' compensation packages and the wage disparity between expatriates and local staff. When deploying international rewards, it is important to strike a balance between the objectives of attracting candidates and coping with high expatriation fees (Sparrow, 2006). The literature summarises two generic forms of expatriate compensation approaches: the 'balance sheet approach' and the 'going rate approach'. The balance sheet approach emphasises maintaining the same living standards of expatriates as their peers at headquarters (Perkins & Shortland, 2006,p185) when they work and live in the host country through several forms of extrinsic/intrinsic reward supplements (Dowling, 2008). In contrast, the going rate approach suggests taking the host-based compensation system and market rate as a reference for designing the compensation package of expatriates(Sims & Schraeder, 2005). Dowling (1999a,p183-187) outlined that the key components of expatriates' international compensation packages include base salary, foreign service inducement, allowances and benefits. Basic salary is the foundation of the compensation package for all types of employees. The basic salary might differ between expatriates and local employees due to the varied market rates and national employment regulations. Expatriates usually receive a premium salary as an inducement for accepting an international assignment. It is normally termed as Foreign Service Inducement. The foreign service inducement might account for 5 % to 40 % of the amount of basic salary, which is contingent on the actual

situation (Ruff & Jackson, 1974). In regard to the allowance, MNEs generally pay allowances to encourage employees to take international assignments and keep employees at the same standard of living as they have in their home country. Normally, the allowances include cost-of-living allowance for family settlement, housing allowance, travelling allowance for flight tickets, relocation allowances, and education allowances for children. International benefit planning is hard to generalise because social security coverage varies from country to country. The benefit plan normally covers pension plans, medical coverage, social security benefits, holidays and annual home leave.

Based on the above discussion, the author further summarises the following research priorities and scope of each research focal practice (see Table 2-1), which are supposed to be examined empirically based on the collected data.

Table 2-1 Main Research Constructs of IHRPs in MNE's Overseas Subsidiary

Key IHRPs in the MNE	Research Focus
<p><b>Recruitment and Selection</b></p>	<ul style="list-style-type: none"> <li>• What type of candidate would be appointed to key positions in the overseas subsidiary?</li> <li>• What is the staffing composition (PCNs, HCNs, and TCNs) at different managerial levels?</li> <li>• What are the sourcing methods for attracting the right candidate?</li> <li>• What are the main selection techniques utilised?</li> <li>• What are the main selection criteria for expatriates and local staff?</li> <li>• What are the main factors affecting the implementation of recruitment and selection?</li> </ul>



<p style="text-align: center;"><b>Training and Development</b></p>	<ul style="list-style-type: none"> <li>• What are the characteristics of training programs provided for expatriates (e.g., knowledge, skills, and ability)?</li> <li>• What are the main factors affecting the training program design for both expatriates and local employees?</li> </ul>
<p style="text-align: center;"><b>Compensation Practices</b></p>	<ul style="list-style-type: none"> <li>• What are the components of the compensation package for expatriates and local staff (e.g., basic salary, foreign Service inducement, allowances and benefits)?</li> <li>• What is the main rationale underpinning the compensation design of international compensation practices?</li> <li>• What are the main factors impacting the configuration of compensation packages for HCNs and TCNs?</li> </ul>

*Source: Author's work based on Dowling (1999a).*

### **2.2.3 Strategic International HRM: issues and models**

As MNEs keep globalising their products, services, markets and operations, they face the puzzle of either managing their geographically dispersed operations as one big market, or striving to customise their products and services to meet the local conditions (Schuler et al., 2002; Wright & Snell, 1998). It has been long acknowledged that IHRM should interact with other major strategic components of MNEs in many aspects, because business success can not be achieved without strategically employment of the multinational workforce (Harvey, Speier, & Novecevic, 2001). To examine the IHRM from a strategic perspective has become one of the popular research foci in the IHRM discipline as mentioned before (De Cieri & Dowling, 1999, 2002; De Cieri, Fenwick, & Hutchings, 2005; Dowling & Welch, 1991; Fan et al., 2016; Kamoche, 1996b; Schuler et al., 2002, 1993; Stor, 2014; Taylor et al., 1996; Zhu, 2018).

SIHRM has developed since 1990s', building on the theoretical foundations of numerous classic publications in strategic HRM and international HRM (Stor, 2014). SIHRM is argued to be an effective system for assisting MNEs in achieving their international objectives by aligning strategic demands with international human resource management (Taylor, et al., 1996). The international goals of business usually include profitability growth, global integration, local flexibility, and world-wide knowledge sharing for innovation (Schuler et al., 1993). Incorporating the strategic nature and international features embedded in the HRM of MNEs, the SIHRM definition, key strategic components, determinants of SIHRM, and consequences of SIHRM were clarified (Schuler et al., 1993). Throughout the 1990's, growing foundational theoretical models were established to provide a holistic view of SIHRM and to prepare for future empirical tests (Schuler, et al., 2002). The important theoretical framework also gives insight into the author's own conceptual framework for this thesis.

For example, given the contingency perspective, Schuler et al. (1993) proposed an integrative framework (see Figure 2-2) to elaborate the relations of strategic components of IHRM as IHRM issues, functions, policy/practices, and the organisational international goals/concerns. It highlights two central strategic considerations of IHRM in the MNE, which are the necessity of enhancing interunit and intra-unit linkage (Florkowski & Schuler, 1994; Schuler et al., 1993). In essence, the concern about the inter-units linkage issue serves as the basis for MNE's strategic decision-making when it decides how to properly deal with the competing pressures to maintain organisational integration or respond to the local

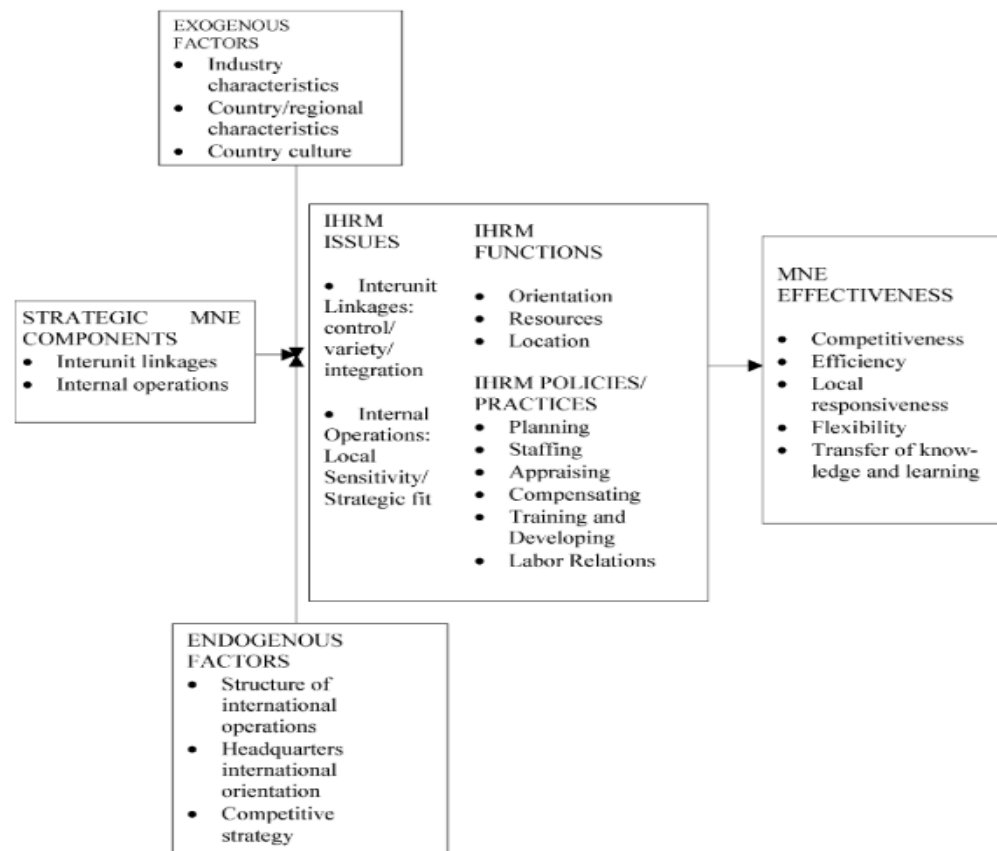
differentiation in the IHRM (Lawrence & Lorsch, 1967). In other words, how to adapt the function, policy and practices in IHRM to remain locally sensitive without inhibiting the coordination with the internal operations of the overseas units as an integrative MNE is the key issue faced by MNEs (Schuler et al., 2002). Specifically, all organisations around the world recruit, train, pay, and retain people in different ways (Rosenzweig & Nohria, 1994). Cultural and institutional differences are two main determinants which lead to the differentiation in IHRM patterns of MNEs originating from different nations. In order to achieve international success, whether a MNE adapts its IHRM by customising it to the local context, or by maintaining the mode in headquarters, becomes the strategic choice of IHRM professionals (Fan et al., 2013). The headquarters needs to strategically decide how much control it should exert over the overseas subsidiaries, such as the control over the input, output, and behaviours of employees at the overseas operations (Snell, 1992), and to the extent to which they can be effectively implemented in local.

Balancing the demands of control and autonomy over the overseas subsidiary are considered as the strategic objectives of MNEs (Tarique et al., 2015). Some authors (Ambos & Birkinshaw, 2010; Fan et al., 2016; Ferner et al., 2004; Harris & Holden, 2001) suggested that IHRM policy and practice can be considered as mechanisms to control and coordinate the inter-operations of overseas units (Bartlett & Ghoshal, 1991). For example, Kamoche (1996b) argued that MNEs can solve this integration or differentiation dilemma by benefiting from the implementation of local differentiation, developing the stock of knowledge and

expertise. Cooke and Lin(2012)stated that expatriation is sometimes viewed as a cost-cutting measure when CMNEs operate in a skill-scarce host country.

With regards to the issue of intra-unit linkage, it emphasises the effectiveness of all levels of IHRM activities in one individual overseas unit, which is expected to align with the local strategic needs. For example, the need to actively respond to the needs of local customers, local competition and culture, remain compliant with legislative regulations, and so forth (Schuler et al.,1993). At the unit/subsidiary level, each overseas unit is considered as a relatively independent organisation rather than a subsidiary of an MNE. Hence, the implementation of HR practices in the overseas unit also encounters dual pressures: to be consistent with the policies of the MNE and with the strategic needs of its own (Schuler & Jackson, 1987). In an ideal world, strategically organising one individual organisation should involve intensively analysing and scanning the strengths and weaknesses of the organisation from external and internal perspectives (Wright & McMahan, 1992). For example, the resource-dependence view suggests that an organisation is an open system which needs to exchange resources with the outside world in order to achieve the organisation's objectives (Pfeffer & Salancik, 2003). In other words, the organization can not be self-sufficient, and it requires cooperation and alliances with crucial external resources. The location-bound overseas subsidiary thus has to take the contextual factors derived from the host environment into consideration. Given the interplay between organisational strategy and IHRM, the strategic HRM in the overseas subsidiary should be inherently contextualised and dynamic. It is shaped by the factors both the external environment of the host countries and the strategy and nature of the overseas subsidiary itself.

Figure 2-2 Integrative Conceptual Framework of International Human Resources Management in MNEs



Source: Adapted from Schuler et al. (2002).

On the basis of the resource-based and resource-dependence view, Taylor et al., (1996) continued to consummate the integrative SIHRM conceptual framework by arguing the determinants of SIHRM system in MNEs from the headquarter, affiliate and individual group. It highlighted the interaction between IHRM and the successful implementation of MNE's strategy, and its contribution to the competitive advantages of the company. The resource-based view (RBV) (Barney, 1991; Wright & McMahan, 1992) posited that when human resources are strategically utilised to meet the company's strategic priorities, the human resources system might perform as a unique competitive advantage of the enterprise. For the top management to play a significant role in the HR capacity,

three IHRM orientations of headquarter as adaptive, exportive and integrative orientations are conceptualised. The subsidiary's initiative is highlighted as well. But the exact performance outcomes of SIHRM have yet to be discussed.

During the 20s', the SIHRM literature camp set forth to pay much more attention to empirical examination of the prior theoretical propositions, notably focusing on the context of MNEs from developed economies (Pudelko & Harzing, 2007). However, empirical evidence from MNEs in emerging countries is limited, as the majority of EMNEs have just begun to establish a foothold in the international market, despite some pioneering SIHRM conceptual frameworks having been developed. For example, Shen, Edwards, and Lee (2005) examined the existing theoretical framework for IHRM in the CMNEs operating in developed host countries in order to conceptualise the SIHRM in the context of EMNEs. A conceptual framework which asserts the transfer of IHRM policies and practices in the CMNEs are affected by several firm-specific and contextual factors, such as political factor, economic factor and organisational culture, etc. Her work affirmed that in general, previous IHRM models which are based on the Western MNEs from developed countries are applicable to the EMNEs. However, this work falls short of addressing the 'so what' questions, implying that the ramifications of SIHRM in EMNEs remain unknown.

In addition, Zheng (2013) developed an IHRM conceptual framework, particularly from the strategic perspective, which prioritises revealing the connection between the internationalisation motives and outcomes in terms of IHRM in CMNEs. In this study, the impact of distinctive variables relevant to emerging economies is

compared with those of MNEs in developed economies. The major variables were the external drivers of EMNE internationalisation, and their effects on the internationalisation objectives of EMNEs. However, it omits discussion of the IHRM's strategic implications, and the empirical evidence is collected from subsidiaries of CMNEs operating in developed countries.

Until recent in the 21s', the literature camp in SIHRM, the literature camp demonstrates a trend toward empirical research of SIHRM in a variety of contexts, most notably in MNEs from emerging markets, such as CMNEs (Cooke et al., 2018b). Zhao et al. (2021) proposed that one essential direction for future HRM study in the context of China should pay greater attention to contextual uniqueness on the basis of the most recent empirical evidence. In other words, contextualization is critical while doing research on management relevance research in a Chinese setting.

Given the above review of the literature, SIHRM in MNEs has been a popular area of research for decades, as it can be viewed as a source of competitive advantage for MNEs' international success. However, SIHRM cannot be fully understood without considering their interactions with the external environment in which they operate and the internal forces that act within the organisation. Two strategic dimensions of SIHRM determine its issues: coordinating the integration between units and headquarters, and supporting the strategic coherence within the overseas units. SIHRM exerts an undisputed influence on the achievement of organisation's global objectives and goals, given its alignment with the organisational strategy. Despite the fact that various theoretical

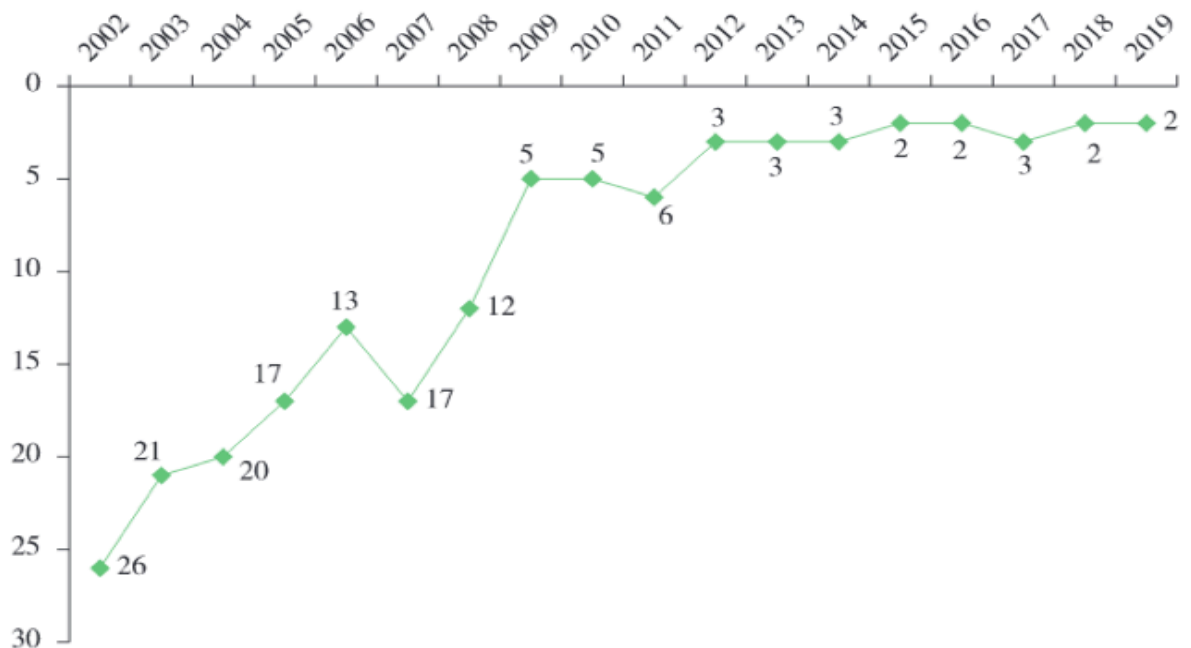
frameworks have been developed, their applicability in EMNEs operating in developing host countries remains precarious. For example, the SIHRM in EMNEs might be influenced by additional uncertainties such as the weak institutional environment, skill shortages, etc. Given the critical nature of contextualisation and the research gap, this study positions itself in the literature by demonstrating how Chinese MNEs from emerging markets employ IHRM in developing host countries from a strategic perspective and by developing an analytical framework for future research.

#### ***2.2.4 International HRM in the Chinese MNEs***

Driven by the national 'going out' initiative since mid-90s, more and more Chinese companies are stepping out of the country to start business cross-borders. Below Figure 2-3 illustrates the dramatic increase of China's outwards FDI flow to the global market between 2002 to 2019, rising from a relatively low position to the top. Numerous recent studies have sought to advance our understanding of the internationalisation trajectory of CMNEs, notably as China has emerged as a significant international investor with unique domestic business climate (Deng, 2012). Some authors suggested that the CMNE's international activities show differences from those of mature MNEs from the developed countries, even at the early stage of their internationalisation (Cuervo-Cazurra, 2012). Also, their investment location choices (Buckley et al., 2007), entry mode (Cui & Jiang, 2009) and motives (Luo & Tung, 2007) might show distinctive, which will inevitably have an effect on the IHRM of CMNEs.



Figure 2-3 The Global Ranking of China's FDI Flow from 2002-2019



Source: Adapted from the “Statistical Bulletin of China's Outward Direct Investment 2019”, MOFCOM, 2020

In recent years, the study emphasis on expatriation management and global human capital development challenges have garnered more attention in IHRM research in the context of CMNEs(Khan et al., 2019; Rui et al., 2017; Xing et al., 2016). For instance,based on the empirical evidence regarding Chinese expatriates in Africa, Jackson and Horwitz (2018) pointed out that inadequate attention to expatriate selection, pre-departure training, and the career development of Chinese expatriates might moderate the effectiveness of expatriation practices. It might further result in undesirable management tensions.Conversely, Rui et al. (2017) believe that Chinese expatriates own some comparatively superior competences, such as low-cost, high productivity, hardship tolerance, and the capability to reconfigure mixed knowledge. Those competences of Chinese expatriates can serve as one competitive advantage of CMNEs when they compete in other emerging markets.Wang and Varma (2019)

argued that when operating in different host countries (i.e. developed and less-developed countries), Chinese expatriates might need to improve different sets of cross-cultural skills for fitting in the particular contextual environment. Zhu and Jack (2017) highlighted that the managerial mindset of expatriate managers might affect the practice transfer within the CMNEs. Similarly, Meyer and Xin (2018) mentioned the necessity of CMNEs to develop a pool of talent who can effectively lead the international operations.

In terms of deploying and implementing IHRM policies/practices in CMNEs, Chinese firms' HRM practises are evolving as they rapidly internationalise and learn from advanced counterparts, despite the fact that China's conventional personnel management initially lags behind that of their global leading peers(Khan et al., 2019). Recent research (see Table 2-2) have used empirical analysis to investigate a variety of IHRM concerns, including establishing a link between distinct characteristics coming from the country of origin, emerging MNEs, and host countries, and examining the feature of IHRM practises in CMNEs' overseas subsidiaries. Shen and Edwards (2006) stated that the examination of an alternative IHRM model of CMNEs should not be undertaken without considering the intensive interaction between the home HRM system, firm-specific factors and home/host-contextual factors. However, due to the substantial cultural and institutional distinctions between the home and host countries, it is hard to reconcile the competing pressures of integration and differentiation by forming one formal or 'best' IHRM structure or practice since the environment keeps changing (Khan et al., 2019).

Also, the majority of recent relevant studies rely on empirical data from overseas subsidiaries in developed countries. EMNEs are more likely to adapt to the local HRM model when operating in developed countries; however, when operating in developing host countries, they may migrate to their home-grown model or develop a hybrid model (Thite et al., 2012; Wilkinson et al., 2014; Ouyang et al., 2019; Fan et al., 2016). The research gap therefore remains apparent, as additional perspectives are needed based on case evidence derived from operations in the developing countries due to contextual diversity (Cooke et al., 2015). Furthermore, when CMNEs go through different stages of internationalisation, their IHRM strategy would evolve subsequently, which should have implications for the deployment of copying IHRM as well. This gap should be partly filled with the findings of this study.

Table 2-2 Selected Empirical Studies of IHRM in CMNEs

YEAR	TITLE	AUTHORS	KEY FINDINGS
2005	Developing an Integrative International Human Resource Model: The contribution of Chinese Multinational Enterprises	Shen et al.	Develops an integrative IHRM model based on CMNEs, which is mostly similar to the existing IHRM models derived from the Western developed countries
2006	International human resource management in Chinese multinationals	Shen & Edwards	Explores the distinctiveness of the 'Chinese' IHRM approach adopted by CMNEs and highlights the importance of contextualization
2007	Diffusing 'best practice' in Chinese multinationals: the motivation, facilitation and limitations	Zhang & Edwards	Reverse diffusion of HRM practices from overseas subsidiaries plays a positive role in the internationalisation process of CMNEs and

			further facilitates the generation of 'best practices'.
<b>2012</b>	Chinese firms in Vietnam: investment motives, institutional environment and human resource challenges	Cooke&Lin	Chinese multinational corporations require political, cultural, and social capital, and organisational resources to expand overseas operations. It contends that the institutional actors, such as national government vary according to ownership types of company and sectors, affecting Chinese MNCs' HRM practices.
<b>2013</b>	Critiques and extension of strategic international human resource management framework for dragon multinationals	Zheng, Connie	Develops SIHRM conceptual framework with an emphasis on revealing the effects of internationalisation motives and outcomes of CMNEs on the IHRM philosophy, policy and practices.
<b>2013</b>	International human resource management strategies of Chinese multinationals operating abroad	Fan.et al	One pioneer study to examine the characteristics of SIHRM in CMNEs and its significant role in forming a learning organisation and facilitating blended 'best practices'.

<b>2014</b>	Chinese Multinational Firms in Asia and Africa: Relationships with Institutional Actors and Patterns of HRM Practices	Fang, Lee Cooke	Dynamic institutional actors in both home and host countries, as well as industry factors, have a significant impact on CMNE's IHRM.
<b>2016</b>	Intercultural influences on managing African employees of Chinese firms in Africa: Chinese managers' HRM practices	Xing.et al	Chinese blended HRM practices take into account contextual and cultural factors, emphasising the importance of cross-cultural training and mutual learning among Chinese expatriate and local employees.
<b>2016</b>	The paths of managing international human resources of emerging market multinationals: Reconciling strategic goal and control means	Fan.et al	Drawing on the convergence-divergence-crossvergence debate, it seems one popular IHRM approach in CMNE is taking localisation as a strategic goal and autonomy as a control mean.
<b>2017</b>	Chinese expatriate management in emerging markets: A competitive advantage perspective	Rui et al	The cases based on CMNE's subsidiaries in the emerging market suggest the general competences of expatriates as low-cost, high productivity, and hardship tolerance, as well as the role of disseminating reconfiguration knowledge, contribute to attainment of CMNE's competitive advantages.
<b>2017</b>	Towards a framework of reverse knowledge	Peng.et al	Given the asset acquisition strategy, the positive role of

	transfer by emerging economy multinationals: Evidence from Chinese MNE subsidiaries in the United States		reverse-knowledge transfer is affirmed and it positively relates to the headquarters control.
<b>2018</b>	Chinese multinationals' approach to international human resource management: a longitudinal study	Zhu, Judith Shuqin	The IHRM strategy of CMNEs operating in the developed market is captured to evolve from localization to global best standardization, which has implications for their IHRM implementation.
<b>2018</b>	Managing talent in emerging economy multinationals: integrating strategic management and human resource management	Meyer & Xin	The new primary IHRM strategy demanded of EMNEs is to develop talent capable of leading international operations.
<b>2019</b>	Human resource management in Chinese multinationals in the United Kingdom: The interplay of institutions, culture, and strategic choice	Khan, et al	By reconciling home and host country pressures, expatriates become the key intermediary role between headquarters and subsidiaries in addressing daily HRM challenges faced by CMNEs in the UK-developed subsidiary.
<b>2019</b>	Overcoming liabilities of origin: Human resource management localisation of Chinese multinational	Ouyang, et al	The adaptation of localised IHRM practices of CMNEs in the developed markets is driven by factors such as learning intention, local

	corporations in developed markets		competition, and host country regulatory pressures, and moderated by ownership of enterprises.
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*Source: Present researcher's work based on literature review*

## **2.3 Key external factors influencing IHRM in Chinese MNEs**

### **2.3.1 Institutional theory and IHRM**

Institutional theory is one dominant theoretical lens which is usually employed by HR scholars for better understanding how environmental forces from the home and host country affect the IHRM in MNEs (Boon et al, 2009; Cooke, Wood, et al., 2019; Rosenzweig & Nitin, 1994). Beginning in the 1950s, scholars began to incorporate institutional arguments into the structure and behaviour of organisations (Scott, 2008). Powell and DiMaggio (2012) claimed that organisations are deeply embedded in the wider institutional environments, in which an organisation is required to respond to the structure and system of the institutions. In the relevant institutional theory literature, the concept of institutional legitimacy cannot be neglected and needs to be taken note of. Institutional researchers believe that institutional legitimacy is more like a set of beliefs rather than a form of operational resources (Suchman, 1995). Besides effectiveness and financial success, the organisation also has to be legitimate in the institutional environment that it belongs to for gaining long-term survival (Greenwood & Hinings, 1996; Scott & Meyer, 1994). Three types of organisational legitimacy are mostly mentioned in the existing literature (Suchman, 1995). They are moral legitimacy (which priorities the alignment with prevailing ethical values of the community), pragmatic legitimacy (which arises when favourable interest

exchange occurs between an organisation and its most immediate stakeholder) and cognitive legitimacy (which refers to the cognitive social facts that are not based on evaluation or interest). Meyer and Rowan (1977) pinpointed in their work that rational organisations are often rewarded for incorporating external legitimated formal structures to maintain their success and survival. As a result of institutions' ability to establish legal, moral, and cultural boundaries, Scott (1995) defined institutions as follows: "Institutions comprise regulative, normative, and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life."

After a great degree of conforming, legitimate actions, organisations consequently adapt and conform to an 'isomorphic' pattern, a way in which organisations are able to gain the legitimacy and resources needed to succeed in a specific environment. Generally, there are two types of isomorphism: competitive and institutional isomorphism. Competitive isomorphism emphasises market competition, niche change and measures. It is mostly relevant to a free and open competition market. In order to better understand the impact of institutions on organisations, an alternative form termed as 'institutional isomorphism' was proposed in the work of DiMaggio and Powell (1984). As DiMaggio and Powell (1991, p66) posited, "organisations compete not just for resources and customers, but for political power and institutional legitimacy, for social as well as economic fitness". They further stated three core mechanisms which could facilitate institutional isomorphism. They are termed as coercive, normative, and mimetic isomorphism. Specifically, coercive isomorphism results from political influence and community legitimacy pressures. It refers to both



formal and informal pressures exerted on organisations from other organisations on which they rely or by general social expectations. For example, in some cases, a government mandate can directly lead to the change of organisations. Labour legislation has a profound impact on regulating organisations' behaviour. Moreover, the pressure of normative isomorphism is generated from professionalisation, when professionals might share a set of similar organisational rules, norms, routines and values. For instance, the so-called organisation culture or social norms which are advocated by most people in a certain context can be recognised as one form of normative isomorphism. Lastly, mimetic isomorphism occurs when the environment creates uncertainty (Boon et al., 2009), such as ambiguous goals (March & Olsen, 1983). Organisations tend to organise themselves in response to uncertainty by imitating successful patterns of leading organizations with the goal of 'taken-for-grantedness' (Suchman, 1995).

On the basis of previous works, Scott (2008) further clarified three key pillars which could underpin institution(s) in providing stability and meaning to social life. They are regulative, cultural-cognitive and normative pillars. The regulative pillar emphasises the influence of those formalised and explicit regulatory components, such as laws and rules, to promote or restrict certain types of behaviour (Kostova, 1997). The cultural-cognitive pillar refers to the socially constructed symbolic knowledge which is adopted by the majority people in a certain country or sector. It could serve as one common behaviour code for people's perceptions and decisions. The normative pillar specifies the values, beliefs, norms and assumptions of their political and economic behaviour to pursue defined goals

(Granovetter, 1985; Scott, 2010). Kostova and Roth (2002) combined the regulative, culture-cognitive and normative elements in a given country and termed it as the 'institutional profile'. The extent to which there is differentiation between the institutional profiles is therefore termed as the 'institutional distance' between two countries (Xu & Shenkar, 2002). So far, the institutional distance is mainly associated with two research areas related to the operation of MNEs. One is about how MNEs survive in the host institutional environment by legitimizing their behavior, and the other is about the determinants of managerial decisions pertaining to practice transfer between MNE headquarters and overseas subsidiaries (Kostova, 1999). Kostova and Zaheer (1999) posited that the larger the institutional distance between home and host nations, the more difficult it is for the MNE to establish legitimacy in the host country, and to transfer the same capable home-originated managerial routines to overseas subsidiaries.

One strategic element that should be sensitive to institutional differences is IHRM practices in MNEs. When MNEs expand to the international arena, the complexities derived from the institutional pressures are even more salient. There are two facets of the institutional pressures. One is from the country-of-origin, and the other is from the host countries. It is widely recognised that EMNEs are born in a relatively uncertain and vulnerable institutional environment, which is significantly different from most developed countries (Child & Rodrigues, 2005). Thus, the decision-making about IHRM transfer within the MNE is not only based on the logic of 'instrumental' but also the logic of 'appropriateness'. It is reasonable to borrow the lens of institutional theory to identify the underlying rationales behind the deployment and implementation of IHRPs in the CMNEs.

Nevertheless, some authors have criticized that the majority of prior institutional theory research seems to overstate the constraints derived from the institutional environment (Edwards et al., 2016; Lewis, Cardy, & Huang, 2019). Indeed, one voice argued that MNEs might be able to diffuse a set of 'best HR practices' on a worldwide basis for enhancing organisation's internal consistency (Brewster, Wood, & Brookes, 2008; Edwards & Kuruvilla, 2005; Edwards et al., 2016). The only reason they fail to do so is because they are reluctant to accept the constraints of host countries (Edwards et al., 2016). This argument is supported by the evidence from the U.S. MNEs, which tend to employ centralised-oriented HRM practices more than MNEs from other countries (Edwards, Marginson, & Ferner, 2013). However, some critiques argue that there is not sufficient evidence to show whether the application of universal best HR practices can ensure constant high firm performance (Purcell, 1999; Paauwe & Boselie, 2005). Most MNEs cannot be defined as stateless (Hu, 1992), and Boxall and Purcell (2003) highlighted three primary goals of HR strategy as facilitating labour productivity, organisational flexibility and social legitimacy. As a result, effective HRM approaches are expected to address the pressures of local competitive environments. Paauwe (2004) believed that organisations can gain improvement and competitive advantages when they proactively respond to institutional demands. Keeping that in mind, Boon et al. (2009) further pointed out the existence of an innovative HRM strategy, which aims to fit with the institutional environment. What is more, some authors argue that the impact of the institutional environment is not deterministic but moderates other powerful components inside and outside the organisation. For instance, institutional forces might exert influence on the key organisational components, such as organisational culture

(Shen et al., 2005), or the endorsement from outside partners and the community (Greenwood et al., 2011). Obtaining legitimacy within certain environments is essential to accessing the necessary resources, like funds or licences to operate (Pache & Santos, 2010).

Alongside the above enduring discussion, the concept of 'institutional duality' was proposed. Kostova and Roth (2002) claimed that MNEs might strive to balance activities across national boundaries in line with a global strategy but simultaneously take local sensitivity into account. Each overseas subsidiary is not an independent unit, and it needs to confront the institutional isomorphic pressures from both the host country and the consistent pressures from the parent company. They usually seek to achieve legitimacy in both their home and host institutional environments. The enforcement of MNEs to adapt to local practices can be defined as regulatory institutions in host countries and rational forces from MNEs, such as local market conditions, size, ownership structures, strategic decisions of managers or the conditions of the external market (Brewster et al. 2008). In the same vein, Child, Faulkner, and Pitkethly (2000) proposed that distinctive HRM policy and practices of MNEs can be noticed between 'high context' conditions and 'low context' conditions, which refers to the extent to which strict labour legislation and union will prevail in a specific context. In the high context, MNEs might more likely be customised to the local HR mode.

All in all, institutional theory advocates that organisational behaviours are shaped by forms of formal and informal institutional pressures from regulatory agencies, such as the state and the professions, and from the general social expectations

and the actions of leading organisations (Greenwood & Hinings, 1996). As a result of the impact on organisations, strategic HRM actions must change. In order to better examine the interplay between dynamic institutional actors in a given country and the strategic approach to IHRM of the EMNE, scanning the 'institutional profile' of countries to identify the institutional distance will be undertaken. Having the argument about institutional duality in mind, it is essential to acknowledge that the HR transfer between home and host units might be affected by the dual institutional enforcement from both the home and host country.

In particular, the home institutional actors might put pressure on the original HRM system of the MNE at headquarters (see Cooke, 2014) and the local isomorphism might shape the HR policy and practice implementation at the overseas subsidiary. Thus, IHRM at the overseas subsidiary is subject to the dual pressures of local adaptation and internal consistency (Schuler & Jackson, 1987). Given the institutional theory perspective, this thesis attempts to investigate how regulatory, cognitive, and normative relevant components from both the home and host countries affect the deployment and implementation of key HRPs in the overseas subsidiaries of CMNEs, particularly those operating in developing countries. More specifically, the institutional determinants which are largely noted in the previous literature (Child & Rodrigues, 2005; Cooke, 2014; Deng, 2013), include regulative actors such as government and regulatory enforcement, cognitive culture dissimilarities, and normative industry contingencies. The following subsections will review the above mentioned key institutional determinants in turn.

### **2.3.2 The role of government and legislation**

On the basis of institutional theory, the last subsection affirms that MNEs are the interface of home and host institutional environments. Child and Tsai (2005) pointed out that governments in countries with an emerging market continually have essential involvement in business affairs. In some emerging countries, the process of industrialisation is mainly guided by the government, such as India (Lawler et al., 1995). Government endowments contribute to industry innovation by tilting key resources to selected industries (Wang, 2018). Many authors outside of China highlight the continuing state interference in this country's economic system (Cooke et al., 2018a). The unique role of government cannot be overstated when the researcher strives to fully understand the organisational operations in this particular social institutional structure (Boisot & Child, 1996).

Existing literature distinguishes two types of government roles in the economy (Yeung, 2000). The neo-liberal economic system favours market-led development with rare government intervention, whereas the centrally planned economic system favours intensive government intervention. China underwent a radical economic reform after 1978, in which the economy shifted from a 'completely centrally planned economy' to a 'market-oriented economy'. However, given that China is a one-party state, the government, as a single powerful institutional actor, has a broader reach than governments in democratic countries to influence economic entities in a variety of ways (Child & David, 2001).

The entrenched impacts of central political structures on economic entities include preferential support to internationalisation (Nolan 2001; Lin, 2010). Some

authors (Alden & Alves, 2008; Child & Rodrigues, 2005; Cooke, 2014; Cooke et al., 2017; Gu et al., 2016) postulated that the constant resource endowments (i.e. financial and political support) from the Chinese government underpin the international success and development of CMNEs. The government's influence is reflected in the investment choice of CMNEs, and the investment motives (resource or market-seeking) (Wang et al., 2012). For instance, Child and Rodrigues (2005) believed that the internationalisation pattern of CMNEs speaks of heavy institutional involvement rather than only reflecting the strategic choice of the firm's executives. The launch of the 'going-out' policy thus has been perceived to spur the OFDI of China, and assist CMNEs to overcome their initial liabilities as latecomers to the global markets in many aspects (Luo, Xue, & Han, 2010). There is no denying that China's economic success is inextricably linked to state intervention (Khanna, 2009).

The provincial (local) governments are another significant institutional actor due to their considerable authority to govern and interpret national policies (Lin et al., 1996). In order to protect their owned companies, the so-called 'local protectionism' is not novel since provincial (local) governments tend to protect those companies within the administrative areas (Law et al., 2003). Luo (2002) pointed out that in China, close ties between business and government can increase investment opportunities, fulfil resource stringency, and alleviate the external and organisational pressures. The relationship between business and government might exert influence in the investment decisions and entry mode of companies (Pan & David, 2000). Besides China, the high intervention attached to political cronyism or connection that affects employment contracts are

observed in other developing countries as well (Ayentimi et al., 2018). However, the governmental involvement might bring a negative effect on the economic development since not all political leadership has adequate capability to quickly respond to the economic challenges (Ayentimi et al., 2018)

As discussed earlier, awareness of the institutional effects of the IHRM initiatives and outcomes is not novel since the organisation is an open system and the HRM functions should interact with the particular institutional environment(e.g., Budhwar et al., 2017; Cooke, 2014; Law et al., 2003; Zheng, 2013). The study by Cooke (2013) identified two forms of state intervention faced by the HRM in CMNEs. The first one is hard intervention through employment legislation and regulations, and the other one is a soft intervention which promotes desirable HRM practices through government-led initiatives and campaigns. In fact, there is some evidence that in some extreme cases, the HR department in a state-owned enterprise functions as an informal government office, with a greater emphasis on ensuring that business decisions are politically correct(Law et al., 2003). Therefore, it is reasonable to assume that home government intervention might have implications for the IHRM strategy configuration and implementation in CMNEs.

When the MNE operates in a foreign environment, foreign investors are likely to encounter two kinds of risks: one is the contextual risk and another is the transaction risk (Pan & David, 2000). The contextual risk embodies the stability of the political system, host government expropriation and intervention, price control, and currency transfer-related risk, whereas the transaction risk normally



originates at the organisational level (Beamish & Banks, 1987; Brewer, 1993). Poynter (2013) found that almost 60 % of subsidiaries of MNEs in developing countries mentioned the impact of government intervention on foreign exchange, product prices, and employment practices (wage rates, proportion of foreign employees). Similarly, the work of Ayentimi et al. (2018) stressed the local constraints of conducting business in developing host countries mainly reflected in effective expatriation and local employment. Drawn from transaction theory, the relationship between MNEs and the governments of host countries can be considered as a 'bargaining game', in which each party strives to exploit its power to gain a larger share of benefits (Fagre & Wells, 1982). The power of MNEs relies on their contributed resources, whereas the host government's bargaining power is derived from its control over access to markets or other location-specific advantages (Boddewyn & Brewer, 1994).

With the advancement of globalisation, the nature of the relationship between MNEs and the host governments gradually shifted from the conflictual-adversarial to the cooperative-complementary (Dunning, 1998; Luo, 2001). The 'coopetition' perspective believes that MNEs should maintain a simultaneous cooperation and competition relationship with the host government based on environmental dynamics (Luo, 2004). Given case studies regarding the overseas subsidiaries of MNEs located in China, Luo (2001) pointed out that the network with local officials, the extent to which MNEs provide adequate contributions to the local community, political accommodation, and organisational credibility are determinants of building positive relationships with host governments, which would have an impact on organisational performance. Local responsiveness mandates over

MNEs usually include generating local employment, educating local nationals, transferring know-how and knowledge, pollution control, financial support for local infrastructure, schools, and other social needs or local governmental concerns. As a result, HRM practices implemented in overseas subsidiaries may serve as an important mechanism for reconciling host government pressures or concerns, as well as overcoming legitimacy-based disadvantages related to the country of origin (Ouyang et al., 2019). Interestingly, CMNEs have been observed to have a unique capacity to navigate the transitioning institutional environment when operating in certain host countries with similar governance conditions (Cuervo-Cazurra & Genc, 2008).

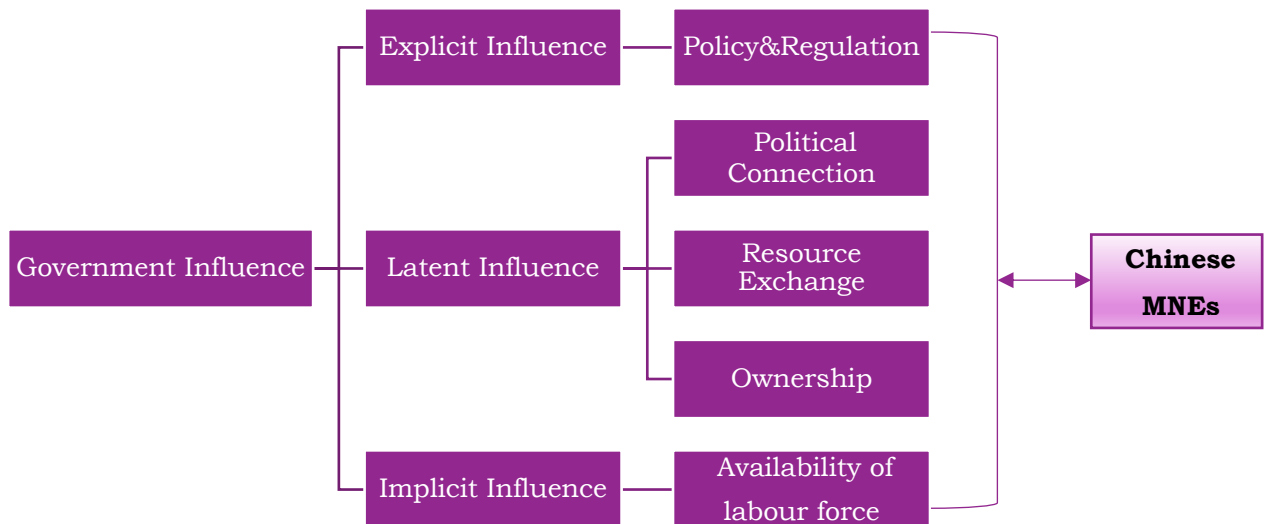
In order to elucidate the way home and host governments interact with MNEs, the existing literature summarises two general approaches of government intervention. They are directive intervention and facilitative intervention (Luedde-Neurath, 1988). Directive intervention aims to provide fiscal and political help in selected industries in several explicit and formal ways, whereas facilitative intervention aims to create positive environments for enterprises by providing infrastructure, education, and regulations in a relatively implicit way to enhance productivity. Interestingly, most institutional relevance literature emphasises the impact of government intervention on organisations that manifests in either explicit mandates or implicit but less-powerful influences. In particular, the explicit mandates from the government are reflected in the interpretation, implementation of policy, rule-setting, or regulating (Scott, 2008). The implicit influences mainly have embodiments in promoting facilitative instruments, such as to optimise the investment environment by coupling with comprehensive facilities or enhance the

education endeavours of the labour market.

In contrast to these two extremes, certain institutional systems, particularly those in transition, contain a sort of implicit but nonetheless significant government influence. For instance, Spigarelli et al. (2015) argued that in China, government intervention in business is high but not transparent, and firms' channels of influence are more personal and covert than formal regulation. The 'network-based advantages' of CMNEs, which stem from social networks in both home and host countries, are believed to be one vital asset for CMNEs to achieve successful and speedy international expansion, despite the fact that some CMNEs are relatively weak in this regard (Lin, 2010; Zhou, 2007; Deng, 2012). Given the congruence with existing literature, this study proposes that the term of 'latent influence' refers to an implicit yet significant government influence. In detail, the effect of 'latent influence' has embodiments in the following three areas: policy connection, resource exchange, and ownership speciality.

Figure 2-4 further categorises all conceivable government interventions that could have an impact on the organisational behaviours of MNEs originating in China.

Figure 2-4 Government Influences Towards Operations of Chinese MNEs



*Source: developed by the present researcher*

**Explicit governmental influence:** The power of explicit governmental influence, which comes from policy incentives and legislation, is primarily manifested in mandates, sanctions, and expedient responses to business operations (Scott, 2008). For instance, employment or industry-specific legislation should significantly regulate the implementation of HR practices in MNEs. Labour law compliance is one major human resource management concern (Kim & Chung, 2016). CMNEs, without exception, need to comply with both home and host employment regulations, thereby affecting the deployment of the key IHRPs in different host countries, such as, staffing composition, design of training programmes and minimal wages, are varying in consequences.

Against the backdrop of the relevant legislation of the home country, two regulations cannot be overlooked: one is labour contract law issued in 2008 and another is construction law issued in 1997 (Lam & Chen, 2004). Both laws have a significant impact on the Chinese construction industry's employment activities. On the one hand, the new labour contract law is seen as one of the most

significant reforms to the legislation system in employment relations in China for decades. It emphasises “rights and responsibilities of management and labour, protection of labour rights, and development of harmonious labour relations” ( Li & Freeman, 2015). In detail, the law increases the minimum wage, eliminates life-long guaranteed employment security, shortens the probationary period for new hires to a maximum of two months from the prior six months, and makes layoffs more difficult, requiring a 30-day advanced notice to unions or all employees (Ngok, 2008).

This legislation has had a significant impact on the labour-intensive construction industry, because it increases labour costs and diminishes informal employment of migrant and urban workers, which was used to be a common employment method by construction companies (Kuruville, Lee, & Gallagher, 2011). As a result, an almost 20 % increase in labour costs is noticed in general (Chen & Funke, 2009). The number of construction site workers has decreased year after year, while labour expenditures have climbed from 10% of operational expenditures to more than 30% now (Bim Bank, 2020). The dramatic increase in labour costs has to some extent prompted the outward shift of the most cost-effective manufacturing sectors to Southeast Asia and African countries. For example, it is reported that the average wage of Chinese workers is at least ten times that of local workers from some Southeast Asian countries (Wiggins & Keats, 2014). Some case evidence in Africa indicates that Chinese investors from the massive labour sector tend to recruit unskilled labour for cost-saving and easily enforced discipline. (Wood et al., 2014). Considering the potential absence of the conventional competitive advantages of CMNEs as cheap labour supply,

the new competitive advantage of Chinese contractor must be elsewhere. By implication, the change has an impact on CMNE's strategic decisions regarding international staffing composition, training, and compensation practices, all of which are aimed at attracting and retaining qualified candidates.

China has established a legal system in order to effectively regulate and govern construction activities, which obviously affects the employment activities within this industry. Walker, Levett and Flanagan (1998) pointed out that government intervention in the Chinese construction industry has changed from traditional administrative control to legal monitoring. Construction firms in China operate business under a very complicated regulatory framework, including a quality monitoring system, tendering procedures, contract administration system, owner responsibility system, business licence and qualification system (Shen et al., 2004). This legislative framework sets specific regulations for almost every important step in the construction process. For instance, the Chinese construction laws and regulations put an emphasis on eliminating irregular practices, and solving the quality and safety problems that used to be a common but vital weakness in the construction sector (Lam & Chen, 2004). Also, it designs and regulates a relatively strict professional qualification system, which raises the capacity threshold of industry practitioners. Professional practitioners in the construction sector must obtain the corresponding qualifications before undertaking business, within which their responsibilities, authorities, and benefits are specified (Shen & Edwards, 2004). The continuous examination, registration and monitoring of the professional performance of practitioners are also specified and updated. Therefore, construction enterprises are witnessing heavy

investment in training to upgrade technical capacity and skills. The employees' technical skills are prioritised during the practices in recruitment, selection, and performance appraisal (Gao & Low, 2015).

Employment legislation of the host country also has a significant role in determining how HRM policies and practises are implemented in overseas subsidiaries of MNEs, as host institutions are typically concerned with safeguarding the local community's interests (Rui & Yip, 2008). Many host countries have enacted relatively strict foreign employment regulations as a way to curb the import of expatriates and protect local employment opportunities. For example, the UK regulates the number of expatriates being sent by foreign MNEs, and the number is in accordance with the scale of investment (Shen, 2006). According to the provisions of the Aliens Work law (2008) in Thailand, this country generally prohibits foreign labour from working in Thailand, but only allows for conditional entry of technical and managerial talents. Manual immigrant workers are only allowed to be imported from Laos, Cambodia and Myanmar.

Aside from immigration-related legislation, trade unions, as a key institutional actor in certain host countries, have a significant impact on IHRM in CMNEs. The study of Cooke (2014) took Vietnam as the case evidence. The trade union in Vietnam plays a rather restrictive role to protect local workers. The employee has authority to organise or join a strike. However, this would be big news in China. In operations in Kenya, Chinese-funded construction projects were noticed to encounter frequent worker strikes because of the relatively higher level of labour protection standards (Cheng, 2016). Indeed, some authors noted that the

CMNE's comparatively low labour standard, which seemed to be influenced by traditional Chinese values as diligence (e.g., Wang et al., 2017). The indigenous status, might easily cause the general negative attitude of Chinese expatriates towards trade unions and job disputes (Lee, 2009; Shen, 2007). In short, the authorities of employment and industry regulations from both the home and host country might affect the deployment and implementation of IHRM practices in overseas subsidiaries. In this way, the HR practices of subsidiaries are expected to bear characteristics which are consistent with those from the parent company and customised to local-specific conditions.

***Latent Influence:*** Given the premise that some form of 'latent rules' may exist in certain institutional environment that affect the interaction between government and organisations, this study identifies and labels three major components of latent influence as policy connection, resource exchange, and organisational ownership. The political connection refers to the degree of positive bilateral diplomatic interaction between home and host governments. For example, empirical evidence suggested that CMNEs often have direct access to inter-government contracts for public construction or mining projects (Li et al., 2013) in certain countries, owing to positive dual political relationship (Corkin, 2012; Nolan & Rui, 2004). Alden and Davies (2006) indicated that Chinese firms have competitive political and economic advantages in certain African countries and Asian countries (Cooke, 2014), particularly in those countries that are heavily dependent on Chinese financial aid (Corkin & Bure, 2006). China's investment preferences in developing nations are considered to be a good reflection of the impact of national policies (Wu, 2005; Deng, 2012). The political connection can



prompt Chinese enterprises receiving financial assistance from national banks, which has an impact on China's overall performance in the Mergers and Acquisitions initiatives (M&A) (Yang & Zhang, 2015). Therefore, it is reasonable to expect CMNEs to be capable of negotiating with the host institutions, where they maintain a preferential political connection with the home government, in order to gain more market and location-specific benefits from the 'bargaining game' (Ikenberry & Lim, 2017), including issues such as expatriation and worker immigration.

On the other hand, CMNEs may face additional negative institutional pressures when they operate in host countries with an intense political connection with their home country. In the view of some host countries, CMNEs, particularly those that receive government financing, often carry the identity of their home country's distinct political system (Cui & Jiang, 2012). For instance, the HuaWei Company, a leading private-owned telecommunications giant in China, has been cut off from American technology under government prohibition by the United States. It is one typical scenario that demonstrates the considerable impact of political connections on MNE activities. In some cases, state-owned MNEs have been suspected of possibly threatening national security (Globerman & Shapiro, 2009). As a result, applications for work permits by Chinese expatriates may have unfavourable effects (Cooke, 2014). In this scenario, CMNEs may follow a 'low profile strategy' in order to avoid attracting the attention of local interest stakeholders (Meyer, et al., 2014). By implication, it can partially explain why CMNEs' entrance mode frequently begins with a share-ownership arrangement with local enterprises in order to establish legitimacy in specific host nations (Lu

& Xu, 2006). Thus, the degree of political ties between the home and host countries might be seen to have a significant impact on CMNE's strategic decision-making regarding investment destinations, entry mode, and top management's IHRM attitudes.

Resource exchange denotes a form of 'off-table' power which could influence how resources are distributed to MNEs by key institutions in both home and host countries. For instance, the Chinese economy has a long tradition of the 'guanxi-based' characteristic despite other fundamental elements of authority control (Si, Wei, & Li, 2008). One type of guanxi relationship is the 'favour exchange', which implies a long-term reciprocal tie between acquainted people for exchanging a mix of personal and public interest as a wide-ranging social transaction (Chen&Chen,2004;Zhang&Zhang,2006).The priority of personal connections and social networks over the formal system exists everywhere in the Chinese administration because of the broad discretion and power given to administrators (Lam & Chen, 2004).In truth, the Chinese notion of guanxi is more nuanced than merely an interpersonal network(Vikers&Fox,2010).Some authors argue that guanxi also indicates a blend of interpersonal impulses, community identification, and inevitable obligation(Luo,Cheng,&Zhang,2016).Shao, Hernández, and Liu (2015) It is noted that the Chinese government shapes business by strategically planning and allocating important resources to selectively support the growth of some industries or enterprises(Cooke,2014). Indeed, most large banks in China are state-owned, such as the newly established Asian Infrastructure Investment Bank (AIIB) and Silk Road Fund, which are expected to support the business activities associated with the BRI (Chen, 2016).Companies that receive

government incentives are more likely to invest in greenfield projects on their own and compete on a global basis(Lin,2010;Lau et al.,2010).Lau (2002) argued that senior managers of organisations who are responsible for the firms' future might face pressure from resource competition and changes initiated by the government.By this logic, CMNEs might strive to fulfill the government's agenda and policy objectives at some point to gain legitimacy in their home country or preferential treatment from the home government.

Similarly, nepotism and inter-personnel ties have become tacit when it comes to staffing and performance management in certain host regions, particularly those in developing countries(Ayentimi et al., 2018; Lawler & Atmiyanandana, 2003). Given the demands of host governments, particularly those in transition, HRM implementation in the overseas subsidiary may need to respond to local government expectations or pressures such as fostering technology transfer, expertise training, and job creation(Beamish, 1993; Luo & Tung, 2007; Osland & Bjorkman,1998).The efficacy of corporate local responsiveness is also favourably connected with the strengthening network between MNEs and host government agencies(Luo, 2002). Moreover, in some host countries, trade unions and non-governmental organisations (NGOs) are powerful institutional actors which cannot be underestimated.The interaction between MNEs and the trade unions/NGOs affects the institutional legitimacy of MNEs in host countries. For example, in Thailand, the requirements for environmental protection are high, and the evaluation results of communities and NGOs have a greater influence on investment projects and might even have a decisive impact(MOFCOM,2015).

Ownership of organisation is an undeniable variable since state ownership is considered as another form of government intervention (Liang, Ren&Sun,2015). Some authors posit that state-owned MNEs could have access to certain 'power resources' that are not available to privately owned MNEs (Alon et al., 2018; Alon, 2010; Globerman & Shapiro, 2009; Huang & Wang, 2011). In some cases, local governments will forbid potential outside competitors from entering the local market in order to reduce over competition(Lu, 2003).The governmental resource bias towards state-owned MNEs might drive companies to fulfil the policy objectives of the government as mentioned in prior(Luo et al., 2010; Wang, 2002). Rui and Yip (2008) found that the CMNEs with different ownership would accordingly adopt various strategies in the process of foreign acquisitions. State-owned CMNEs may place a higher priority on achieving the national objective, with cost being the least significant consideration. Some state-owned firms, for example, have been seen investing in politically unstable developing countries before conducting any scientific analysis from a strategic perspective but to respond to the state policy incentive(see Ramasamy, Yeung, & Laforet, 2012).Conversely, the main international motives of private-owned CMNEs are economic interests, such as market expansion(Gu,2009). The government-related bureaucratic control still exerts influence on the political and professional careers of executives in the state-owned CMNEs in many aspects. Therefore, they might be more likely to take actions to fulfill the government's long-term agenda(Young et al., 2008).

State ownership has a substantial impact on Chinese enterprises' internationalisation process, which is not always favourable. Some studies have

found that the ownership speciality has a negative impact on state-owned CMNEs' foreign activities, particularly in developed countries (Cuervo-Cazurra et al.,2014) .Guo, Clougherty and Duso(2016,p614) found that Chinese state-owned MNEs paid 'higher acquisition premiums' than non-state-owned MNEs, particularly when they operate in a developed country. The degree of autonomy passed to overseas subsidiaries might be eliminated due to additional institutional pressures (Brouthers, 2002), which would have implications for the IHRM configuration in the overseas subsidiaries of state-owned CMNEs.

In fact, Cooke (2014) affirmed that the role of institutional actors towards the IHRM of MNEs differs across ownership forms and industry sectors. Luo and Peng (1999) suggested that ownership is usually seen as an important predictor of HRM practices and firm performance. In SOEs, the majority decision-making power is concentrated in the hands of the executives, or a small group of managers or government officials. In particular, the Party Secretary of each state-owned organisation is regarded as the supreme leader within the organisational hierarchy (Zhang & Yang, 2007). For them, being loyal to the party is one vital criteria for personal promotion and incentives (Cooke, 2013). Government agencies still control the payroll expenditures of SOEs (Chen et al.,2016). Some authors (e.g., Liang& Langbein, 2015; Wang et al., 2017) pointed out that the central role of the Communist Party in shaping the HRM in state-owned enterprises is manifested in setting political-oriented performance criteria during selection, appointment and evaluation processes.This business inertia is generated from the old planning economy era when the HRM approaches in large-scale state-owned enterprises were characterised as long-term security of

employment with limited flexibility (Ding, Goodall, & Warner, 2000). The economic reform in the 1980s reshaped the employment behaviours of state-owned enterprises as changing the long-term security of employment mode, the so-called 'iron rice bowl', into the individual employment contract system (Benson & Zhu, 2006). The relative liberty to engage in market competition enables the HRM of SOEs to embody financial implications. Even though most SOEs are now partially privatised, the way in which the government interacts with state-owned companies includes appointing top executives of the companies or encouraging companies to keep strong ties with the government to gain preferential treatment (Luo & Tung, 2007).

The Chinese construction industry used to be one big centralized, hierarchical participant in the national economy, in which resources, products, and services were allocated almost exclusively by administrative means (Chen, 1998). Currently, state-owned or state-connected CCMNEs still occupy the dominant domestic and international market (Cooke et al., 2018a). Most early IHRM-related studies seem especially inclined to examine large-scale state-owned enterprises (Morck, Yeung, & Zhao, 2008). As a result, it is reasonable to conclude that the behaviours of leading state-owned CCMNEs may be transmitted in a certain industry. The force of 'mimetic isomorphism' (Scott, 2005) might further influence the HRM pattern of other companies within the same industry.

***Implicit Influence:*** The implicit influence normally indicates the facilitative measures conducted by government or other key institutions. For example, the government could enact legalization to improve the soft facilitative instruments

that are embedded in the business environment, including optimising the business environment by coupling it with comprehensive logistics, enhancing education endeavours to the local labour market, and simplifying the way to access support finance, etc. The labour market availability in the home and host countries is more important to this research. The availability of labour in the labour intensive construction sector is a critical issue that can have a direct impact on the local implementation of HR planning, staffing, and training in overseas subsidiaries, since MNEs may face a less qualified or expensive local labour market (e.g., Brautigam, 2011b; Bräutigam & Tang, 2011; Corkin, 2012).

According to MOFCOM data, the rise in overseas construction projects boosted the export of Chinese labour on a large scale. In 2017, more than 522,000 Chinese workers were dispatched, and 222,000 of them were in the construction category, which represents 42.53 % of the total population. Over 173,000 dispatched workers went on overseas construction assignments in 2018, accounting for 48.7 % of all dispatched workers. The intensive employment of dispatched Chinese workers in CMNEs is not a novel phenomenon, notably in construction firms (Yan & Sautman, 2012). Along with the outflow of Chinese workers, it can be seen that the employment management methods used at home have been exported overseas with the assistance of employment agencies (Cooke et al., 2018a; Corkin, 2008). Indeed, in recent years, a few analysts have questioned what the real benefits are to the local community, since the engagement of Chinese contractors provides minimal input but enhances competition (e.g., Jackson, 2014; Jackson & Horwitz, 2018; Wilkinson et al., 2014).

However, some recent empirical evidence demonstrates new developments. For instance, according to Xing and her colleagues (2016), Chinese companies are more likely to adapt their HRM practices to local conditions in Africa than to follow indigenous traditions. Sun and her colleagues (2017) noted that in Africa, 89% of employees in more than 1,000 Chinese companies are recruited locally, and over 60 % of Chinese employers offer coping skills training. Cooke, et al. (2018a) argued that the ethnocentric staffing penchant of Chinese contractors to dispatch their own workers is mostly due to the skill and experience constraints of local labour. Without a doubt, the Chinese dispatched workers are much easier to manage and communicate with. Another determinant could be Chinese workers' stronger tolerance for hardship and hard work (Cooke & Lin, 2012; Corkin, 2008). Some authors' empirical studies (Bräutigam & Tang, 2011; Meng & Nyantakyi, 2019) affirmed the above claims.

The situation of the indigenous labour market is constantly changing, as seen by rising labour expenditures, educational level of the workforce and labour standards. The Economist Intelligence Unit data shows that China's average monthly wages increased by 263% from 2007 to 2018. In 2018, China's average monthly wages (at \$990) were 316% higher than Vietnam's wages (\$238) and 158.5% higher than Mexico's (\$383) (depicted in Figure 2-5). The labour cost of producing one unit of output in China, indexed to the U.S. level, is nearly twice that of Vietnam. Similarly, the number of graduates from higher education rose from 1.0 million to 5.1 million from 2001 to 2008 (Knight, Deng, & Li, 2017). Furthermore, the Decree of the State Council of the People's Republic of China (742), which comes into effect in May 2020, regulates the previously

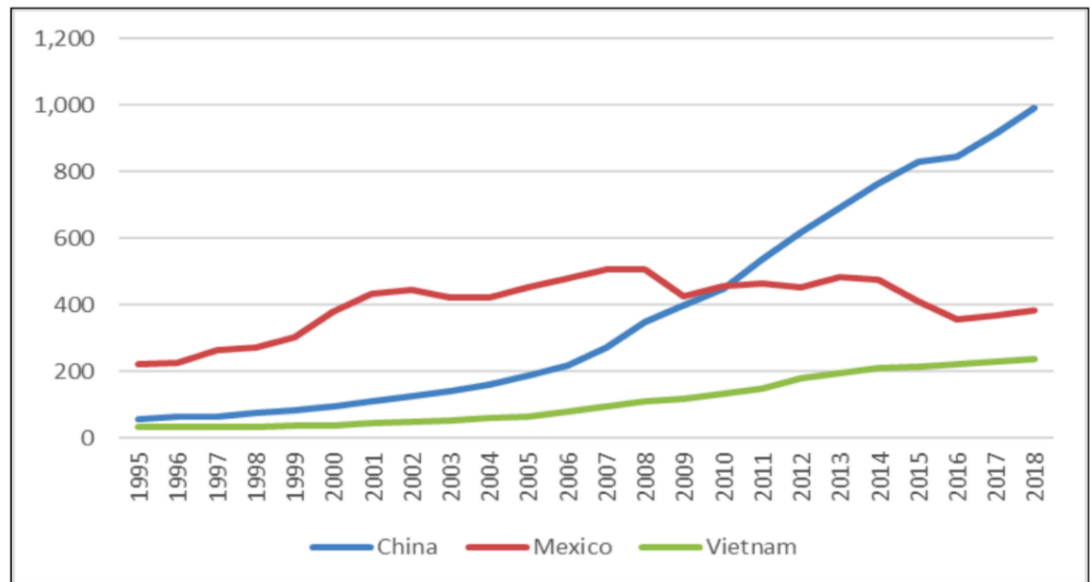


chaotic employment of migrant workers in construction, such as defaulted wages. Under that, all employers must sign a contract with each manual worker and open a special account for paying workers' wages before launching the project. The general contractor is responsible for ensuring migrant workers are paid in full and on time (Yan & Liu, 2020).

The ramifications of the change may have an impact on top executives' attitudes toward adopting an IHRM strategy. When configuring increasingly complex staffing compositions and training designs at their overseas subsidiaries, CMNEs should thoroughly address the variables of labour cost and capability in both the home and host markets. For example, despite a labour surplus, many Chinese companies are still having trouble recruiting and retaining talent. Human resource management is not yet sufficiently linked to strategy (Cooke, 2015). One shortcoming that Peng (2012) discovered in studying the HRM activities in Chinese state-owned MNEs, is that the company seems to have an inadequate supply of managers with global competencies and global professional credentials. To generate a talent pool for continually leading the international operations should be one primary aim of EMNEs (Meyer & Xin, 2018). Given rising indigenous labour costs and standards, the traditional transaction benefit factor appears to be less appealing to CMNEs, which are known to seek to evade local rigorous employment requirements and increase profits by exporting dispatched people (Cooke & Lin, 2012). Examining the underlying reasons as to why a relatively low number of local managers (44%) are allocated to key positions in CMNEs, particularly those in the construction sector, is among the issues that require more exploration (Sun et al., 2017). Furthermore, it is unclear why a large number of

Chinese workers, both semi-skilled and unskilled, are exported to construction sites in some host countries despite higher operating costs (Cooke et al., 2018a).

Figure 2-5 Average Monthly Wages for China, Mexico and Vietnam:1990-2018 (Nominal U.S. dollars)



Source: Adapted from CRS Report from Economist Intelligence Unit(2019).

### 2.3.3 The role of cultural differences

Cultural variations are another key element that distinguishes one country's business system from another (Edwards & Rees, 2006). People's thoughts, emotions, and acting patterns are defined by culture, which serves as the 'software of the mind' and is widely shared among people living in the same social environment (Hofstede, 2005). At the national level, culture is the typical individual value priority in a society that reflects their central trust (Schwartz, 1999). With the development of subdivisions in the field, national culture, regional culture, organisational culture, and internal culture have been gradually distinguished (Meschi & Roger, 1994). In the context of MNEs, national culture serves as one form of informal institution because most MNEs have cultural traces of their

country-of-origin. It is reflected in managers' subconscious decision-making and behaviour at all levels(Harzing & Sorge, 2003). The significant empirical research on national culture conducted by Hofstede (1983,1991) demonstrated that managerial practises are culturally bound. Tayeb (2000) suggested that the international HR policies and practices transfer might confront entrenched cultural understanding in local employees' ideologies and expectations as well. In view of the concept as 'national business recipes'(see Whitley, 1992), diverse national culture would guide the dominant logic of management practice of organisations and individuals within it, including HRM activities. In other words, MNEs might face cultural conflicts or pressure when setting and enacting HR practices in offshoring operations since the international HR practices are implemented to deal with employees from different cultural backgrounds.

For organisations, the effects of culture are witnessed in employee attitudes and behaviours, such as communication, leadership, performance, motivation and satisfaction (Chiang, 2005). It also manifests in the various work values of employees at greater or lesser levels (Fu & Kamenou, 2011). Hofstede (1980) contended that the success or failure of organisational managerial practices, particularly related to the managers' leadership, motivation and decision-making style, depend heavily on how they adapt to the local work value and work situation. More in-depth cross-cultural research considers the effect of national cultural differences on an employee's willingness to accept culture-based organisational design philosophies(Florkowski & Schuler, 1994).Therefore, the most cited Hofstede's five-dimension culture index model (1980, 2005) is adopted as the theoretical lens to elucidate the cultural distance between nations. The five

dimensions of Hofstede's index model include power distance (high to low), collectivism versus individualism, femininity versus masculinity, degree of uncertainty avoidance and long-term orientations.

The **power distance** is a salient dimension which indicates the dependence relationship between less powerful and powerful members in organisations. Specifically, people in a high-power distance culture or hierarchical society will consider their superiors entitled to privileges. Normally, the subordinate expects to be told what to do. Because the origins of traditional Confucian philosophy advocated hierarchy, China is typically a country with large power distances (Goodall, Li, & Warner, 2006). In the contemporary workplace, Chinese staff are more respectful of authority, and Chinese managers might feel dissatisfied with different voices from their subordinates (Fu & Kamenou, 2011). Adler and Gundersen (2001, p.398) illustrated it as a 'Chinese autocratic management style'. Chinese people are used to accept the hierarchical structure (Kirkbride, Tang, & Westwood, 1991). They would like to leave the authority of decision making to the firms' leadership or government departments. The worship of 'title', which indicates employers and business partners would more highly value people with higher title status, is argued to affect the organisational commitment of employees and the performance management of the company (Fu & Kamenou, 2011).

**Individualism and Collectivism** refer to the extent to which people attempt to prevail in the individual interest or the collectivist interest. Within a society that is very collectivist, individuals tend to behave in accordance with the needs of the

community, although at odds with their own interests. People in China tend to place importance on community harmony and group norms (Pun, Chin, & Lau, 2000). Consequently, Yao (2014) contended that the influence of collective-relative value might prevail over task performance during the promoting and rewarding process in Chinese companies. For instance, the empirical evidence of Cooke's (2014, 2018a) work showed that it is a common phenomenon that Chinese dispatched workers in the overseas construction industry are more likely to work overtime voluntarily for the group interest and accept the unified residence management. One compelling reason for this phenomenon could be the cultural differences between Chinese and local employees, which have a direct impact on their attitudes toward achievement of community interest. Employees who come from a society that favours individualism might advocate a balance between work and life instead of working overtime for the organisation's good or to make extra money. Working overtime to catch up on a project's timeline has long been recognised as a determinant of project success (Huang & Chen, 2016). Chinese managers of CCMNEs might therefore prefer to recruit staff from their home country because they have a higher tolerance for hardship and intensive work (Corkin, 2012). But, Faure and Fang (2008) proposed that contemporary Chinese culture mixes new elements such as individualism and materialism due to rapid society and institutional system change. Xiao and Cooke (2020) argued that a hybrid model of HRM has emerged in Chinese SOEs, which combines market-oriented western HR practices with a socialist-oriented central HR mode. Given this, HR academics and practitioners are concerned about recognising the cultural impact of diverse employee behaviours, which has implications for HRM deployment and implementation.

The dimension of ***masculinity-femininity*** illustrates the ways in which people handle conflicts in the workplace. In the high-masculine culture, resolution of conflicts is let the strongest win, whereas in the low-masculine culture (feminine), people are inclined to solve conflicts through compromise and negotiation. Moreover, organisations in masculine culture pay more attention to individual rewards in accordance with work performance. The wage gap might remain larger and people prefer to gain higher pay, whereas in the feminine culture, the wage distribution is based on equality, and people are more willing to have fewer working hours. Given the cultural characteristics of femininity society, which emphasises reward equality, a relatively high score in masculinity may imply that general society's recognition is motivated by competition and good performance rather than the pursuit of quality of life. The importance of hierarchy and dignity (self-esteem) to people in masculinity society was confirmed by empirical evidence (e.g., Tian, 2016). Chinese people tend to give priority to attaining objective achievement rather than the process, and always strive to protect the long-term mutual benefits (Yao, 2014). However, this situation may be open to interpretation and change when the ownership of organisation varies. For instance, Cooke (2013) pointed out that egalitarianism is one enduring value that influences the reward system in some organisations in China, notably in those state-owned companies. The compensation system in that scenario can serve to maintain a reasonable standard of living for employees rather than increase productivity. Confucianism highlights mutual interest and trust as key to achieve 'harmony' when facing conflict (Warner, 2010). This tradition might still be rooted in Chinese people's behaviours. Additionally, the value of Chinese

people's mindset in maintaining good 'guanxi' circles may have an impact on people's behaviours while resolving interpersonal conflicts (Tsui & Farh, 1997), such as they might feel reluctant to break up good personal relationships with others.

With regard to ***avoid uncertainty***, it shows people's probability of dealing with any ambiguity or incertitude and demonstrates the reflection on organisational policy or rules. For example, Germany as a nation gives more value to avoiding uncertainty; its people are less comfortable with ambiguous or unclear rules, which might lead to higher risk. Although the Chinese are conservative in their response to risk, they are more tolerant when it comes to uncertainty (Fang, Zhao, & Worm, 2008). In fact, the internationalisation of CMNEs is considered as a constantly experimental learning process of knowledge dissemination and integration (Lyles et al., 2014). Less emphasis on avoiding uncertainty has been observed to have an impact on HRM in a variety of ways. For instance, according to Schuler and Rogovsky (1998), differing attitudes toward avoiding uncertainty affect compensation practices in different nations. Fixed salaries based on seniority are more common in nations like Greece and Portugal, where the score of uncertainty avoidance is relatively high. Shen and Edwards (2006) observed that CMNEs did not have clearly defined selection procedures and failed to provide training to their staff. Nevertheless, Chinese expatriates' motivation and productivity are barely reduced. Based on the investigation of Pheng, Jiang, and Leong (2004), employees from the construction industry have more adaptability and acceptance to work in different environments, even to work overseas. In the work of Fu and Kamenou (2011), they point out that engagement of the 'human

factor' in organisational principles is salient in Chinese enterprise. The organisation's authorities may alter the rules that they are supposed to follow. Therefore, it would not be surprising to see a pragmatic and organic management strategy is accepted by the CMNEs when dealing with a complex international context.

Chinese Culture Connection's report (1987) summarised Chinese Confucian culture, which gives more value to thrift, perseverance, and long-term orientation. Hofstede (1991) then adopted this finding and labelled **long-term orientation** as the fifth dimension of culture. It shows people's attitudes toward their actions as either positive for potential rewards or as good as current rewards. In other words, people have the perception that they should maintain sustained efforts toward slow results bearing with a long-term orientation, while people with a short-term orientation believe that efforts should produce a quick result. Most countries in East Asian and South Asian nations, including China, are good at implementing a long-term orientation. For example, in China, most of them endorse thrift and efforts to gain higher education to prepare well for the future. Nonetheless, Anglo, Asian, and African nations seem to prefer to support a short-term orientation (Minkov & Hofstede, 2012).

There are two main strands of competing ideas in the extant literature regarding whether the Hofstede cultural model can be applied to examine the cultural influences on managerial practices. One is questioning whether this model is capable of capturing the true nature of culture. For example, Triandis (1982) critiqued that Hofstede's dimensions might only be confined to the study of work-



related values, but that national values might not be thoroughly covered. However, it is obvious that job values and national values cannot be exclusively separated. Despite this, there is another concern about whether the Hofstede model is capable of providing explanations for culture in societies under transition due to the rapid changes and globalisation of society (Chiang, 2005). Some authors posited that the essence of Chinese culture has become more complicated than what is outlined in Hofstede's model (Fu & Kamenou, 2011). But some methodological and theoretical considerations provide strong empirical evidence to refute many of the weaknesses of Hofstede's model (Laurent, 1983). Hofstede's model is still very relevant in the area of exploring national cultural dissimilarities (Redding, 1994).

Extant literature calls for more study pertaining to the IHRM activities in MNEs with cross-cultural factors under consideration, because more and more workers have engaged in foreign assignments or virtual teams where they form a cross-cultural interface (Caligiuri & Bonache, 2016). The concept 'cultural distance' between countries is usually utilised to examine the strategies, organisational characteristics, and managerial practices of MNEs (Barkema, Bell, & Pennings, 1996; Tihanyi, Griffith, & Russell, 2005). The distance indicates the variation in culture between the home country and overseas locations where MNEs operate (Ricks, Toyne, & Martinez, 1990). It is widely accepted that the wider the cultural distance between two countries, the further apart their organisational traits are on average (Kogut & Singh, 1988). The empirical evidence suggests that cultural distance can serve as one critical variable factor to moderate the international entry choice of MNEs (Barkema et al., 1996), subsidiary

management (Roth & O'Donnell, 1996), overall MNE performance (Morosini, Shane, & Singh, 1998) and the expatriate management (Wang & Varma, 2017). For example, it is clear that Chinese companies are more willing to invest in nations with similar cultures, particularly those that value social networks (Buckley et al., 2007; Sethi, 2009). According to the 'high - low context' perspective, people in high-context cultures, such as China, tend to send messages in subtler and less direct language, and contextual linkages are important for full comprehension. People in the United States, for example, are more accustomed to communicating in clear and explicit language or through writing (Hall, 1989; Hall & Hall, 1959). Although the majority of authors highlighted that cultural dissimilarities force MNEs to work around challenges and extra operational costs (Park & Ungson, 1997), some authors contended that national cultural dissimilarities might enhance MNEs' productivity by receiving associated creativity benefits as they operate in an advanced environment (e.g., Shane, 1994).

Furthermore, the cultural distance between home and the host country acts as one significant factor influencing the diffusion and adaptation of HRM activities. Some MNEs, such as Chinese and Japanese multinationals, are known to send a considerable number of expatriate managers to fill key roles in overseas subsidiaries, regardless of the location of the subsidiary (Thite et al., 2012; Shen & Edwards, 2004). In some cases, the HR practices of CMNEs either differ from the pattern in their parent company or conform to the popular one in the host countries (e.g., Shen, 2005; Zhang & Edwards, 2007). The possible reasons for this scenario might be the existence of a high cultural distance between home

and the host country and insufficient cross-cultural management competences of Chinese expatriates (Cooke et al., 2017; Teagarden & Cai, 2009). High cultural distance can limit MNEs performance owing to increased training, monitoring, control costs, and differences in managerial cognition of environmental and organisational issues (Schneider & De Meyer, 1991).

However, many scholars (e.g., Yang, 2012; Zheng & Lamond, 2009; Zhu & Warner, 2017; Warner, 2010) suggested that Confucianism values combined with socialism ideology intensively guide individual actions and management practices in modern Chinese societies. Traditional Chinese values are still observable in the contemporary HR practices of Chinese companies, but with varying degrees of emphasis (Warner, 2010). Zhu and Warner (2017) and Warner (2012) even propose a term for describing this type of context-specific HRM activities as 'Confucian HRM', as the key values in Confucian philosophy are being hierarchical, persistent, and thrifty (Warner 2010), which relate to appreciations of authority, hardworking, and cost saving.

It is obvious that when CMNEs operate in host nations with a high cultural distance from their home country, their cost-effective HR approach may result in cultural conflict at their overseas subsidiary (e.g., Kamoche & Siebers, 2015). The CMNEs might tend to remain in management conformity with headquarter for maintaining authority (Pucik, 1992). Also, Confucianism's harmony value may influence executives' decision-making in CMNEs by pushing them to establish goals outside the organization's boundaries and addressing the effects of MNEs on the global community (Zheng 2013). Teagarden and Cai (2009) asserted that

insufficient global mind-set and cross-cultural skills seem to be the biggest constraints of CMNEs when they compete in the international markets. To some extent, a company's capacity to adapt to the host culture indicates its international success (Welch, 1994). In essence, it is a necessity to look more inwardly into the interaction between national, organisational culture and the ideological setting of executives and individual groups, which has implications for the strategic deployment of IHRM policy and practices in overseas subsidiaries. Also, how local cultural elements may affect the host employee's interpretation and adoption of IHRPs may have an impact on the local implementation of transfer HR practices (Taylor et al., 1996).

#### **2.3.4 The role of industry nature and international competition**

Strategic management analysts have long recognised the industry's influence on the structures, strategies and outcomes of organisations (Porter, 1998). Porter contended that every industry has specific rivals, suppliers and consumers. These can influence organisational competitive strategy. Some industries are more globally integrated than others (Bartlett & Ghoshal, 2000), and some companies are born to be global. The industry's specialty is affirmed as one relevant factor which could affect the CMNE's behavior (e.g., Cooke, 2014). For example, Cooke (2014) stated that Chinese MNEs' HRM practices in high-skilled and low-skilled industries are still contradictory. Due to the uniqueness and complexity of its project-based and labour-intensive nature compared to other more stable sectors, Loosemore et al. (2003, p17-18) claimed that the construction sector remains one of the most challenging environments in which to effectively use diverse human resources to achieve organisational objectives. The dynamism of human resources in this industry ranges from

unskilled practitioners, craftsmen, to managers who operate as an itinerant team to complete short-term project objectives in a variety of workplace settings. Pournader et al.(2015) argued that satisfying a wide range of stakeholders' expectations is one significant criteria for measuring the success of a construction project, in addition to the importance of fulfilling project tasks on time and within budget(Bourne & Walker, 2005; Hoegl & Gemuenden, 2001). However, how industry specialties might shape the IHRM in the CCMNE remains limited.

Despite being project-oriented and labour-intensive, the construction industry is described as extremely fragmented, service-oriented, sensitive to environmental influences (e.g., legislation and policy), and having low entry barriers but high operational costs (Cheah & Chew, 2005).The output of construction firms as projects is attributed to the distinctiveness of this industry.The construction project is defined as a group of activities and tasks that have specific objectives to be completed within certain specifications, time and financial requirements (Kerzner, 2017). According to Loosemore et al.(2003,p18), construction projects possess some common features, such as their one-off nature indicating the temporality and lifespan of projects (Kokkaew & Koompai, 2012), short-term notices featuring reliance on ad hoc managerial solutions, transient workforce employment, and contingent with increased client demands and dominated by male culture (i.e. reliance on male employment).

The construction industry is one of the industries that has the most diverse, vocal, and impactful stakeholders in an economy, including the end user, promoters, project designers, project team, and work force(Chinyio & Olomolaiye, 2009;

Gann & Salter, 1998). The lifespan nature of projects determines that the personnel composition of the project is flexible, which is contingent upon the specific conditions of the project, such as size, technical requirements, and geographical situation (Huemann, Keegan, & Turner, 2007). The majority of construction departments are comprised of four groups of personnel: project managers, architects, technical employees, and manual workers (Shahhosseini & Sebt, 2011). In reality, one HRM bottleneck in the construction industry is the devolution of HRM responsibilities to line project managers, who are sometimes lacking in training and support (Loosemore et al., 2013). Chan et al. (2004) claimed that the project manager is one key determinant in the success of construction projects. Some authors affirmed that the commitment, competence, experience, and authority of the project manager as a team builder critically affect the project's planning, scheduling, and communication (Belassi & Tukel, 1996; Chua, Kog, & Loh, 1999). In fact, the role of project managers in construction projects is equivalent to the director of one department in other traditional sectors.

The HRM in construction seems to be an ad hoc approach rather than a strategic one (Brandenburg, Haas, & Byrom, 2006). Raiden et al. (2008) asserted that the role of HR specialists in construction companies tends to serve as a 'firefighter'. They usually deal with the HRM-relevance issues in a reactive manner, which provides limited contributions to the implementation of the company's strategy. Drawing from the case study of seven UK-based construction organisations and five Australian construction organisations, the case evidence showed that ad-hoc and reactive approaches to recruitment and selection prevailed in this sector (Santoso & Loosemore, 2013; Raiden et al., 2008). The sourcing process is

heavily reliant on senior management's knowledge of their employees and may be isolated from HR planning. Much of the construction team is usually organised under a short-term orientation for the purpose of responding to immediate operational requirements. In addition, Santoso and Loosemore (2013) found that ad-hoc orientation is dominant in the expatriates' recruitment process in Australia's construction MNEs, and the technical knowledge of expatriates is prioritised in the practices of selection.

Project-based companies possess the unique managerial culture that emphasises employee empowerment, teamwork, and a network of clients and suppliers (Gareis, 2006). MNEs which deliver construction projects are supposed to be beneficial to the national community, especially when the project is perceived to have social, political or environmental implications. Nevertheless, Huemann et al. (2007) noted that in project-oriented companies, high dynamism causes more challenges to the company to ensure the well-being and ethical treatment of workers (Turner, Huemann, & Keegan, 2008). Thus, in comparison to other conventional organisations, HRM policy and practices in construction need to pay greater attention to the multidisciplinary aspects of the project teams and ensure the appropriate employment behaviours in their geographically dispersed projects (Santoso & Loosemore, 2013; Turner, Huemann, & Keegan, 2008).

As a client sensitive industry, increasing client demand places additional stress on contractors (Loosemore et al., 2003). In today's international market, many clients prefer to choose contractors who can provide 'one-stop service' by

offering consultancy, design services, and construction work together(Zhao & Shen, 2008). International contractors will need to improve their management abilities and service awareness in order to meet these requirements. Indeed, international clients are seen to emphasise the capability of contractors in providing the best 'after-sale service' (Hasegawa, 1988). The stakeholders might expect the contractor to provide additional service in spite of completing the project, such as taking responsibility for attracting tenants if they bid for a shopping mall. As affirmed by Langford (2001), product distinctiveness is based on managerial and technological skill, two crucial components inherent in the company's reputation and knowledge. In China, design and construction activities are generally separated and handled by two separate companies. Because of the differences between home customs and foreign market expectations, Chinese contractors may need to adjust their traditional company development strategy to meet international standards(Zhao & Shen, 2008).

As a labour-intensive sector, the sustained downturn in population growth and changes in gender demographics has raised the real issue of skills shortages in this industry (Loosemore et al., 2003). Additionally, the relatively high turnover rate in the industry leads to a brain-drain of essential talent (Zhao & Shen, 2008).The intensive manual work, and the dirty and dangerous work climate of this industry are often unattractive to well-educated individuals (Zhao & Shen, 2008). According to an international construction market study (2017), 56% of the world's construction industry currently faces a skilled labour shortage.What is worse, the practitioners' careers are hampered due to insufficient incentive mechanisms and monotonous training approaches. Many academics and training



institutes concerned about how to improve the general appeal of the industry to well-educated job seekers.

The Chinese construction industry evolved from a centrally planned economy, and then took a major reform and transition after the 1980s along with the national economic reforms. In the central planning economy, almost all the construction projects were state-owned and the firms had little autonomy in deciding what to produce, who to recruit, and how much to pay the workers (Sha & Lin, 2001). Despite the fact that industry standards and entrance barriers continue to rise, the traditional industry culture inherited from the centrally planned period still has implications for contemporary HRM. For example, the state-owned corporation appears to be less likely to reconfigure their HRM system to match market demand due to a lack of risk management awareness and competitive sense (Wei et al., 2008; Xiao & Cooke, 2020). Walker et al. (1998) affirmed that the permanent variations between Chinese and Western construction markets manifest in whether there is strong governmental supervision and public financial support. The historical social roles of state-owned construction enterprises in China have thus been difficult to get rid of, which explains why there has been little commitment to HR resourcing, including a lack of a long-term human capital planning strategy and the seeking of talent resolution on an ad-hoc basis (Gao & Low, 2015).

Personnel hired are accountable for obtaining qualifications that are appropriate for the construction activities they will be performing after 2020 (Yan & Liu, 2020). In most construction firms, to gain a professional certificate is closely associated

with individuals' basic salary, bonus and promotion. The provision statutes of employees' certificates/charters would directly affect a company's entry threshold for project bidding. In particular, the regulation specifies that a Chinese contractor needs to acquire a licence from the Chinese government for bidding for overseas contract projects. By this means, the government is able to regulate the employee quality who will be assigned to the international project team. CCMNEs might prefer to employ staff who are familiar with Chinese-specific technical qualifications (Chen et al., 2007). It is evident that the training goals of Chinese construction companies include advancing the chartered status and continuing professional development of employees.

It is reported that international construction providers have shifted from highly industrialised countries (i.e. Japan, the U.K.) to underdeveloped industrialised countries (i.e. China, India) (Langford, 2001). In areas of maturing construction, steel, and cement production, China is expected to remain the world's largest construction market. With domestic overcapacity becoming an issue, China is hunting for new end-markets to meet industry upgrades and the transformation trend (Zhao & Shen, 2008). Large state-owned enterprises are pushed to engage competitively in the high-end market, which refers to a market comprising integrative management companies equipped with credit, patent technology and comprehensive contracting services. Langford (2001) noted that the competitive advantages of international contractors include financing capacity, budget control, client network, expertise in technology, new global knowledge acquisition, and provision of social legitimacy and political authority in their home and host countries. Previously, the main competitiveness of CCMNEs was argued to be

“cheap capital, low labor costs, hands-on management style, high degree of organization, and general aptitude for hard work” (Centre for Chinese Studies, 2006, p2). Nonetheless, as CCMNEs' international goals evolve, as well as their advancement in technology, finance, and management know-how (Raftery et al., 1998), CCMNEs may consider devoting their Chinese-specific capabilities and advantages (e.g., manufacturing supply-chains) to international competition.

Most large-scale Chinese international contractors are still in the early stages of expanding their overseas construction markets strategically (Zhao & Shen, 2008) since most large-scale CCMNEs are going out under the profit driven after 1980 (Low & Jiang, 2003). This relatively short internationalisation history might imply that most of them would concentrate on solving the liabilities associated with being a latecomer and a foreigner. Indeed, it is not novel to encounter the talent shortage dilemma in the realm of projects (Debrah & Ofori, 2006). Although businesses give various forms of training to boost employees' overall technological skill set (Gao & Low, 2015), the EMNEs' general lack of foreign experience remains a concern (Contractor, Kumar & Kundu, 2007).

For example, the language barriers of Chinese management teams cause tense labour relationships with local employees (Cooke 2014). Younger and less experienced line managers are usually sent to the overseas subsidiaries located in developing countries (Mamman & Wen, 2021), such as Africa, since most experienced Chinese expatriates are reluctant to take on overseas assignments. The inexperienced young project management team might be one underlying reason why some CCMNEs are observed to bring large numbers of PCNs to the

overseas construction sites at the early stages of projects to avoid international transaction risks (Mamman&Wen,2021; Cooke et al., 2017; Davies et al., 2008).

In this technology-based sector, many international contractors see technical expertise and technological equipment as the determining factors causing differentiation from their competitors. The international competition is, in essence, a technology innovation competition. Specifically, the sound technical skills and capabilities of practitioners can reduce needless project costs and safety issues, and improve project performance (Pournader et al., 2015; Tabassi & Bakar, 2009). For instance, as the world leader in international construction services, Japanese international contractors are well-known for their technological edge over their American rivals since they invest heavily in research endeavours to solve day-to-day construction problems(Abdul-Aziz, 1994).But, thanks to joint ventures with other major corporations in developed countries, China has gotten a technological leg up in recent years(Raftery et al.,1998). Chinese construction techniques have stepped in to the forefront of the international industry(National Bureau of Statistics,2018). From 2020, the new infrastructure in China has been highly focused on rather than traditional projects, such as the construction of 5G base stations and big-data centres, etc(Yan&Liu,2020).It is evident that the new industry trend implies a higher level of innovation, energy efficiency, and sustainability in the construction domain (Yan&Liu,2020).It could have long-term ramifications for HRM practices in this industry. For example, the rise of practitioner entry barriers and training requirements.

Despite the technical expertise, Ramamurti and Hillemann (2018) contend that

an employee who has sufficient managerial capacity is vital to complete complicated projects. For example, practitioners' managerial ability to maintain positive and long-term relationships with various stakeholders (e.g., clients, subcontractors, local suppliers, and host-country government) while providing high-quality service may provide some form of competitive advantage in international competition. However, most CCMNEs put more emphasis on the hard skills of employees rather than soft managerial skills needed for international operations due to the regulative requirement of technical knowledge. The pressure from international competition can in turn force CCMNEs to recognise the need to pursue more effective managerial competence instead of remaining traditional careless means of management style.

Under this pressure, recruiting and maintaining employees with managerial-skills and Chinese-specific technology skills might become priorities in the management of workforces in CCMNEs when they venture abroad. The technical skill criterion might continually dominate the recruitment and selection, training and compensation programmes of CCMNEs given the trend of developing new infrastructure. Training and empowerment are noted as two predominant factors of employee development in project-based companies for long-term success (Huemann, 2010). Furthermore, Söderlund and Bredin (2006) argued that successful project operations require effective and adaptive HRM, which acts like a knowledge broker within firms by integrating knowledge from various disciplines and identifying the needs of competence development among employees. In view of the 'springboard' perspective (Luo & Tung, 2007), EMNEs might attempt to use international expansion as a 'springboard' to acquire strategic resources and

reduce their institutional and market constraints in the home country. Mathews (2006) noted that learning, linkage, and leverage are the core internationalisation features of developing MNCs, which indicate that they are technology learners, knowledge acquirers, and market power accumulators. Hence, given the pressures of managerial incompetence, lack of international experience, and shortage of international talents, it is highly possible for CCMNEs to recruit talent from the host or third country to achieve their economic goals and facilitate innovation when they arrive at a certain internationalisation stage.

Previous reviews indicate that HR correlates can be determinants of successful international projects (e.g., Belout & Gauvreau 2004; Ebtehaj & Afshari, 2006). The function of HRM in creating international competitiveness has become increasingly crucial and complex as a result of the involvement of international stakeholders and the emergence of project standards(Chan & Tse, 2003). The unique industry characteristics provide a sense of the particular features of HRM in the CCMNEs, and the linkages between them are summarised in Table2-3.

Table 2-3 Industry Features and HR Correlates

	Industry Features	HR Correlates Features
<b>Nature of Industry</b>	Project-Oriented	Temporality, Ad-hoc basis, HR decisions empower to the project level; Teamwork
	Labour-Intensive	Skill-sensitive; Cost-sensitive; Male Dominated
	Industry Policy - Intensive	Sensitive to State Policy; Professional Certificate Priority

	Industry Features	HR Correlates Features
<b>International Competition</b>	Technology-Focus	Learning-focus, Technical Competence Focus
	Client-Oriented	Managerial Capacity Focus

*Source: designed by the present researcher*

## **2.4 Key internal factors influencing the IHRM in the Chinese MNEs**

### **2.4.1 Resource-Based View and the Strategic IHRM**

Drawing on the institutional theory and contingency perspective (Schuler et al., 1993), the previous section reviewed the considerable variables of the external environment influencing strategic decision-making and managerial behaviours in MNEs, notably in the area of IHRM. Besides the impact of external enforcement, Porter (1980, 1998) asserted that, the formulation of a firm's competitive strategy enables a company to exploit core competencies and to gain a sustained competitive advantage over its rivals (Schuler & Jackson, 1987). In the real world, the industries of automobiles, telecommunication, computers, and consumer electronics usually find it hard to survive without competing with their global competitors in the areas of customers, human resources, suppliers, and technology (Gregersen, Morrison, & Black, 1998). Differing from Porter's industry strategy paradigm, the resource-based view (RBV) (Barney, 1991; Wright & McMahan, 1992; Wright et al., 1994) further proposed the idea that competitive advantage can be gained from internal resources of firms.

According to Barney (1991), the firm might generate a competitive advantage and

above-normal economic profits by possessing and controlling a bundle of valuable, unique and rare, costly to imitate and unsubstituted internal resources. Hence, a firm seeking to gain a competitive advantage should possess heterogeneity and immobile internal resources that meet the above four criteria and cannot be purchased and duplicated(Barney, 1991). An organisation's core competencies include employee capability and intelligence, physical technical systems, management systems, organisational cultures (Hamel & Prahalad, 1994). The organisational capital resources consist of the firm's structure, planning, control, and the informal and formal relations among groups in its environment(Wright et al., 1994).

Along with the dramatic growth of new technology and the mobility of organisational reform, human capital is argued to represent an asset that can provide a source of sustained competitive advantage since it is often difficult to imitate and hard to substitute for (Neal, West, & Patterson, 2005). The idea of seeking a new competitive advantage by strategically configuring and enacting HRM has been advocated by many researchers(Becker et al., 1998; Wright et al., 1994). Specifically, Wright et al. (1994) argued that only when the role behaviours of human resources fit with the strategic needs, can it generate the firm's competitive advantage. The deployment of HR practices which are consistent with the strategy has been empirically affirmed as one effective mechanism to enhance productivity, firm performance, and reduce employee turnover(Huselid, 1995). As a result, integrating organisational competitive strategies and the appropriate set of HRM policies and practices would improve organisational performance(Chow, 2006). Reasonable determination in international human



resource policy and practices enables a multinational corporation to efficiently deploy its human resources globally and provide the best people for international expansion. It, in turn, affects the attainment of organisational strategic goals and the improvement of core advantages in global competition (Schuler et al., 1993).

According to the resource-based perspective, HRM is strategically important for organisational success (Wright, Dunford, & Snell, 2001) and the analysis of organisation strategy should concentrate more on 'in-warding' rather than 'out-warding'. Resource positioning with an emphasis on directing human resources to the primary strategic initiatives of the organisation is considered as a form of vertical fit (Schuler & Jackson, 1987). Irrespective of the premise that the IHRM of an organisation would strive to strategically align with the competitive strategic demands, dynamic mitigation factors at the organisational level should exert certain influences on the deployment and implementation of IHRM in the MNE. These include such strategic forces as the organisational internationalisation life cycle (Hannon et al., 1995), and managerial mindset and tacit knowledge of top management (international orientation) (Taylor et al., 1996; Athanassiou & Nigh, 2000; Barlett & Ghoshal, 2002). The ensuing literature review is about to discuss the linkages between the above mentioned internal influential factors and the possible IHRM correlates in CMNEs.

#### **2.4.2 The role of competitive strategy**

The perspective of strategic international HRM is mainly built on two theoretical foundations: international IHRM and strategic HRM. Previous studies in the strategic HRM field (e.g., Schuler, 1992; Wright & McMahan, 1992) explored the relationship between HR practices and business strategies in the domestic

enterprise. Based upon the strategic HRM rationale, the HRM functions escalated to one strategic partner within the firm as other functions, such as finance. The strategic decision-making process needs to take HRM into consideration (Schuler, 1992). Recognisably, human resources practices serve to promote desirable attitudes and behaviours of employees, in which way the strategic needs can be fulfilled by the competitive pool of talents (Jackson, Schuler, & Rivero, 1989). Therefore, the strategic HR practices should be one effective approach of a company to assist organisational strategic achievement(Wright&McMahan,1992).

Obviously, the interactive effects of different combinations of business strategies and HRM impact more on organisational efficiency (Huang, 2001). When an organization's managerial scope expands to include a much larger and more complicated worldwide environment, these generic competitive strategies, as exemplified in the following discussion, can be implemented at the headquarters level, subsidiary level, or both in a coordinated way (Luo & Zhao, 2004). The strategic function of the subsidiary, subsidiary ownership, the intensity of corporate interconnections, and the host market conditions all influence the choice of competitive strategies at the subsidiary level(Gupta & Govindarajan, 2000; Luo & Zhao, 2004). The competitive advantage derived from a well-chosen competitive strategy can be a powerful instrument for MNEs to reduce their foreign liabilities (Luo & Zhao, 2004).

Given the notable work of Porter (1980, 1998), 'competitive strategy' indicates the firm's philosophy on how to compete successfully in a given economic process (Barney, 2002). The typology of a firm's philosophy in order to achieve

business success includes strategies of cost leadership, differentiation, and focus. Cost leadership indicates the very low per-unit costs of products which target the price-sensitive buyer. The competitive edge lies in the efficiency of provided products and services from a company. The differentiation strategy emphasises the provision of superior value and quality products/services which is favoured by customers who are relatively less price sensitive. The focus strategy implies concentration on a certain market, clients, customers, and geographical location by offering a narrow range of products/services (Kale & Ardit, 2002). Referring to Porter's strategy types, Schuler and Jackson (1987) have classified business strategies slightly differently as following three types: cost reduction, innovation and quality enhancement. Compared with its rivals, the innovation strategy primarily focuses on offering new and different products and services. Enhancing the quality of a product or service is compatible with the main expectation inherent in the enhancement strategy. With the cost reduction strategy, the firm competes with its competitors by being the lowest-cost producer.

Figure 2-6 depicts the process of how competitive strategy influences the deployment of HRPs to create ideal employee behaviors in order to achieve the desired strategic success. As elucidated in Schuler and Jackson's (1987) paper, the organisational staffing demands, selection criteria, and performance appraisal standards are contingent upon the traits of the chosen competitive strategy of the organisation. Specifically, the optimal set of employee behaviours with consequences for employee knowledge, skills, abilities and attitudes are illustrated in Table 2-4 (Lahteenmaki, Storey, & Vanhala, 1998; Schuler & Jackson, 1987; Wright & McMahan, 1992). This table shows how to effectively recruit, train

and maintain the most suitable people while adhering to strategic objectives.

In detail, the central concern of employers with innovative initiatives is about attracting and maintaining experts who possess distinctive expertise and knowledge. It implies that the resignation of a key employee might lead to disastrous consequences, since the HR competitive advantages depend upon the quantity and quality of the inner talent pool (Kanter, 1985). In this case, the key HR practices might focus on motivating the knowledge innovation of experts by providing continuous cutting-edge training and utilising pluralistic rewards instruments, such as giving them adequate work autonomy. The longer-term focus implies that the performance appraisal systems should emphasise long-term accomplishments rather than instant results; therefore, more tolerance is given to the occasional failure (Schuler & Jackson, 1987).

Table 2-4 Competitive Strategy and Desired Employee Profile

<b>Competitive Strategies</b>	<b>Employee behaviours profile</b>
<b>Innovation</b>	<ul style="list-style-type: none"> <li>• high degree of creativity</li> <li>• long-term focus of appraisal</li> <li>• high level of cooperative and interdependent behaviours</li> <li>• high risk taking and high tolerance of ambiguity.</li> <li>• moderate degree of concern for quality and quantity</li> </ul>

<b>Quality-enhancement</b>	<ul style="list-style-type: none"> <li>• repetitive and predictable behaviours</li> <li>• long-term focus and commitment to the goal of the organisation</li> <li>• high concern for quality and process</li> <li>• modest degree of cooperation</li> <li>• low risk-taking activity</li> </ul>
<b>Cost-reduction</b>	<ul style="list-style-type: none"> <li>• repetitive and predictable behaviours</li> <li>• high concern for quantity of output</li> <li>• primary concern for results</li> <li>• short-term focus</li> <li>• modest concern for quality</li> <li>• low risk taking and high stability</li> </ul>

Source: Adapted from Schuler & Jackson(1987)

Figure 2-6 Strategic Implications on HRPs Correlates



Source: Adapted from Boxall & Purcell(2015)

Bearing with the strategy with a focus on quality enhancement, the quality strategy requires employees to work 'smarter' rather than work 'differently'

(innovation strategy) or 'harder' (cost-reduction strategy) (Schuler & Jackson, 1987). Given this premise, the learning capacity of employees is crucial, but the creativity and risk-taking spirit of employees are not. Godard and Delaney (2000) asserted that HR strategy, with an emphasis on employees' high skills and commitment, is more significant in industries that feature capital-intensive and advanced technology. The training might prioritise statistical measurement of quality control and teamwork in problem solving (Schuler, 1992). Conversely, in a company focused on cost efficiency, the selection of candidates will concentrate on the cost rather than the qualifications. Contingence employment or subcontractors might prevail. For example, work-intensive and low-tech manufacturing are more likely to outsource production to low-wage countries (Boxall & Purcell, 2015). The training demand would gain less attention due to the prevalence of short-term oriented commitment. Performance appraisal systems may be linked directly to productive output rather than high quality; as a result, incentive compensation and bonuses aimed at increasing productivity may be facilitated.

However, the reality is more complex in practice. For instance, in a stable industry setting, firms might attempt to emphasise quality enhancement to outperform their rivals, while in dynamic environments, firms might place importance on strengthening their performances through innovations to outperform their rivals. In view of the contingency theory, there is no one best strategy applicable for every industry setting. Although Porter (1998) suspected the effectiveness of enacting 'hybrid strategy' in an organisation, the situation might exist in a large business unit where there is a need to pursue pluralistic competitive strategies

simultaneously in different product lines, services or regions (Schuler et al., 1993). For instance, although it has been long acknowledged that conventional Chinese firms are more likely to win the global market by adopting a cost-leading strategy or defender strategy (Su & Wright, 2012), an alternative situation might emerge in the construction sector, which is characterised by labour-massive and technology focus. Unlike other stable businesses, the success of a project is determined by four factors: quality, cost, delivery speed, and safety (Hasegawa, 1988). More recently, the business has seen rising client demand and the invention of new technology, which motivates construction companies to offer high-quality products at the lowest possible cost (Wilkinson, Johnstone, & Townsend, 2012), as well as to meet the new innovative trend in the industry (see Yan & Liu, 2020). Therefore, it is reasonable to claim that technology innovation, quality control and cost control are equally necessary. Competing with any sole generic competitive strategy seems insufficient in this particular sector (Kale & Ardit, 2002).

Based on the empirical research of the U.S. construction industry, Kale and Ardit (2002) argued that in order to gain competitive advantages, construction companies should exploit the combination of a competitive approach by placing great emphasis on delivering high-quality products and contracting services. Additionally, to minimise operational costs, introducing innovative techniques in advancing financing capacity, administrative procedures, and construction processes are essential mechanisms to surpass rivals in ensuring the project's time schedule. Tan, Shen and Langston (2011) pinpointed that there are some strategic behaviours, which belong to the differentiation strategy (e.g.,

on-schedule attributes and quality attributes), could enhance the attainment of sustained competitive advantage of construction firms. Ercan and Köksal (2013) illustrated that in the international construction business market, differentiation competitive strategies are more important than technology innovation since one advanced construction technology is only valid for a limited period of time (Hasegawa, 1988). Similarly, Oyewobi et al.(2015) contended that the construction industry in South Africa adopts all three generic strategies, which is not a novel phenomenon in the construction industries in other countries (Betts & Ofori, 1992; Price & Newson, 2003; Tan et al., 2011). However, only the cost-reduction and differentiation strategy have been found to positively assist construction firms in achieving their business objectives. Therefore, it seems that two prevailing competitive strategies that are adopted by most construction companies are the strategy of cost-reduction and quality-enhancement. It is obvious that the industrial nature of construction businesses encourages them to compete on the quality of the product or processes, as well as the financial output of the products.

Focusing on various competitive strategies can, however, lead to additional conflict in employment. For instance, if a construction company relies on a low-cost strategy, a flexible employment approach, such as subcontracting, might be adopted, and the HR management function and responsibilities might stay at a minimum. In contrast, subcontracting might lead to a problematic management issue when a company focuses on overarching output and add-value (Wilkinson et al., 2012). It was argued that Chinese international constructors must exploit a cheap labour supply to achieve worldwide success(Pheng et al., 2004).The



entrenched cost-effectiveness orientation might possibly affect the IHRM decisions of CMNEs in their overseas operations (Kamoche & Siebers, 2015). However, the challenges posed by rising labour costs in the domestic market and a scarcity of competent international managers have driven CCMNEs to lower overall bidding prices by directly exporting low-cost machinery, materials, and equipment from China rather than depending on low-cost labour (Pheng et al., 2004). CCMNEs are seen to build up their areas of specialty by learning from other international leading actors with the assistance of financial and policy support from their home governments (Rafferty et al., 1998; Corkin, 2012; Pheng et al., 2004). The literature has termed this distinctive strategy as 'take-off strategy' (Jansson & Söderman, 2013). Furthermore, some researchers (Babatunde & Low, 2015; Chua et al., 1999) proposed that the ability of construction companies to make superior use of time is one potential competitive weapon which, in essence, reduces the cost of production. To speed up construction implies improving the speed of project implementation without the expense of deviating from their quality and cost objectives.

In sum, a sole competitive strategy might not be sufficient for MNEs to outperform their rivals due to the arising complexity emanating from the diversity of geographical characteristics. Competitiveness of multinationals is based on both country-specific advantages and firm-specific advantages (Child & Rodrigues, 2005). As a result, a more expedient strategy can be implemented while facing particular combinations of competitive pressures (Morrison & Roth, 1992). Bearing this in mind, a 'dual-track' or 'hybrid' competitive strategy seems reasonable to be applied by CCMNEs, aiming to respond to the uniform strategic

needs of MNEs as a whole, and different local specifics. In order to ensure a company's competitiveness, a more pluralistic set of HR practices might be developed based on competitive strategy.

### **2.4.3 The role of international orientations of top-management**

When MNEs operate in a foreign region, one vital function of top executives at headquarters is to efficiently configure the firm's distinctive capabilities and resources (Bartlett & Ghoshal, 2002). For MNE executives, the essence of the international orientation lies in the top executives' attitudes and assumptions about the headquarters and subsidiary relationships. The headquarters-subsidiary relationship necessitates the incorporation of cross-border collaboration structures in order to balance the growing dual pressures of ensuring strategic efficiency in MNEs as a whole and responding to subsidiary customization demands (Ambos, Asakawa, & Ambos, 2011). In other words, it boils down to the negotiation between headquarters and subsidiaries about strategic (flows of critical resources and activities) and administrative (communication and control) configurations (Bartlett & Ghoshal, 2002; Gupta & Govindarajan, 2000; Luo & Zhao, 2004).

As one strategic resource, the international orientation of top management determinates the intended transfer and allocation of human resources in MNEs. Extant literature suggests that top executives' international orientation at headquarters is a crucial determinant in the implementation of overseas IHRM practices (Perlmutter, 1969; Schuler et al., 1993). Schuler et al., (1993) emphasise that the deployment of HR activities in overseas subsidiaries is contingent upon the international orientation of top-management and the nature

of the relationship between headquarters and subsidiaries. Indeed, the international orientations of the headquarters are reflected in the IHRM strategy, which primarily strives to solve the 'global integration-local responsiveness' puzzle by applying a variety of IHRM solutions (Hannon et al., 1995; Ferner et al., 2004). However, most contemporary studies have relied on Western MNE subsidiaries, whereas the nature of IHRM international orientation in the EMNE-base hasn't been well-known (Xing et al., 2016).

Generated from the evidence from U.S. MNEs, the seminal work of Perlmutter (1969) typologies four main international orientations adopted by headquarters; they are: ethnocentric, polycentric, geocentric and region-centric orientation (depicted in Table 2-5 below). It was termed as the EPRG model. The nature of international orientation at headquarters is likely to influence the specific management pattern in subsidiaries, which further has implications for implementation of IHRPs. Some authors suggested (Colakoglu, Tarique, & Caligiuri, 2009; Dowling, 1999a; Gaur et al., 2007; Tarique, Schuler, & Gong, 2006) that decisions regarding subsidiary staffing are the main strategic considerations of top managers rather than other HR components' deployment according to the EPRG model. In other words, the international orientation is visibly reflected in the staffing pattern in overseas subsidiaries. Therefore, four international staffing orientations are consequently classified as ethno-centric orientation, poly-centric orientation, region-centric and geo-centric orientation. They illustrate the penchant of MNEs for knowing how to deploy their international human resources.

Drawing on the extant theoretical explanations (Dowling, 1999a; Tarique et al., 2006), the notion of these four staffing orientations and their interlinked HR consequences are further explained in the following.

***Ethnocentric-orientation*** implies that the key mind-set of top management is 'high-control', having admiration of headquarters' working methods and culture. The management standards in the home-country are utilised as a reference in managing international activities, which means the foreign subsidiaries might have limited autonomy to make key strategic decisions. In this case, the main approach taken by MNEs is replicating home-country systems and procedures abroad (Gupta & Govindarajan, 2002), including the HR practices. Managers from more homogenous nations or from countries with a strong patriotic culture seem more likely to accept this orientation (Cooke, 2005), such as Chinese MNEs (Thite et al., 2012,p234). Hence, the key jobs at both indigenous and overseas operations are filled by expatriates, who are parent-country nationals (PCNs). This technique is more likely to be used in the early stages of MNEs' internationalisation because it is a good way for MNEs to overcome challenges such as incapable of recruiting enough and competent local workers as a foreigner. Lakshman, Lakshman, and Estay (2017) affirmed that the staffing orientation always interacts with the overall international strategy of business. When the MNE pursues a global strategy, the ethnocentric staffing method appears to be more likely to be adopted by the headquarters.

However, the application of ethnocentric approaches is subject to some critique when it exists in the case of EMNEs, although this orientation seems to be in

dominant use (Thite, 2016). Fan et al. (2016) posited that, as latecomers, emerging market MNEs need to engage in local learning to acquire advanced strategic assets and offset their ownership disadvantages, especially when investing in the host countries from developed economies. The greater degree of localisation enables an EMNE to become an 'insider', thereby to gain more local-specific knowledge (Brenner & Ambos, 2013). Hence, the greater degree of standardisation over subsidiaries will constrain MNEs' organisational learning in local environments, and increase the risk of failing to meet local legitimacy. Additionally, the overwhelming concentration of expatriates might easily cause high turnover of host-country nationals (HCNs) at the overseas subsidiary since potential compensation disparities and unequal promotion opportunities might exist (Toh & Denisi, 2003). The career prospects and motivations of local managers might be damaged (Chen, Choi, & Chi, 2002). Also, from the perspective of the transaction-cost view, Selmer (2006) argued that the compensation and relocation costs of a large number of expatriates are much higher than recruiting locally. The growing use of HCNs and TCNs in today's MNEs, makes the application of a more comprehensive staffing orientation feasible (Caprar, 2011). The growing use of HCNs and TCNs in today's MNEs, makes the application of a more comprehensive staffing orientation feasible (Caprar, 2011).

Considering the poly-centric orientation, host-country cultures and practices are highly concentrated. The MNEs treat each subsidiary as a distinct national unit with more decision-making autonomy. The host-country's standards are increasingly accepted as a reference for managing overseas subsidiaries.

Decentralised operations are more likely to exist in wholly owned subsidiaries. Consequently, the key positions of overseas subsidiaries are usually allocated to PCNs, but rare PCNs might occupy the key positions at headquarters. A strand of literature which emphasises the relationship between subsidiary autonomy and subsidiary performance advocates that subsidiary autonomy is associated with the effectiveness of organisational learning (Luo, 2003). The more autonomy an overseas subsidiary has, the greater the possibility it has to stimulate knowledge creation and diffusion (Young & Tavares, 2004) and to foster strategic leadership and initiatives of overseas subsidiaries (Birkinshaw & Hood, 1998). The major advantage of the polycentric staffing strategy is that it reduces language barriers and the expatriation cost, while allowing the multinational to achieve institutional legitimacy quickly in a sensitive political situation. Nonetheless, in this instance, the weakness of the relative information network and knowledge communication between headquarters and overseas units may be at the expense of organisational integration, which might eventually cause the isolation of the subsidiary (Keupp, Palmié, & Gassmann, 2011). MNEs employ the polycentric staffing approach as they implement their multidomestic strategy (Lakshman et al., 2017). In some recent empirical studies, Chinese companies have started to show an orientation towards adopting HR localisation, especially when they enter developed countries (e.g., Shen, 2005; Ouyang et al., 2019; Xing et al., 2016).

With regards to the ***geo-centric orientation***, the MNE attempts to take a worldwide approach which aims to create a global network between headquarters and each overseas subsidiary. In this situation, both headquarters and subsidiaries are considered when measuring the MNE's competitiveness. The

managerial activities are eclectic, with a blend of sound approaches from around the world, rather than giving emphasis to just the headquarters or local practices. The staffing approach towards key positions in the MNE ignores the issue of nationality in favour of the ability of employees. It implies that employees from the home country, host country, and third country can be found in key positions anywhere, including those senior positions at headquarters and the overseas subsidiary. When it comes to rewarding, promoting, and developing people, nationality is no longer an issue. As globalisation deepens, the strategic primary aim of some MNEs shifts from being multinational to being global. This change has definite implications for the IHRM of MNEs. One notable consequence is the necessity of the MNE to cultivate global managers who are equipped with the adequate capability to compete in both global and local markets (Ghoshal, Bartlett, & Kovner, 1997; Harvey, Speier, & Novicevic, 1999). Thus, a cadre of managers who can comprehend the world and handle global challenges with an appropriate global-mind seems to be vital to modern MNEs (Begley & Boyd, 2003; De Cieri & Dowling, 2012). Multinational corporations are constantly propelled by their management quest to “think globally while acting locally” (Bartlett & Ghoshal, 2000). Emerging issues such as appropriate repatriation management and immigration restrictions are increasingly likely to be highlighted.

***Region-centric orientation*** involves a similar approach to the geocentric approach, but with a wider use of managers within a particular geographic region and allocating them to a certain region. However, they are rarely promoted to the key positions in headquarters, although granted a certain degree of regional autonomy in decision-making. To some extent, this approach avoids taking a

solely ethnocentric or polycentric approach and pursues the transition to a geo-centric approach.

Table 2-5 Main Characteristics in EPRG Model

	<b>Ethno-centrism</b>	<b>Poly-centrism</b>	<b>Regio-centrism</b>	<b>Geo-centrism</b>
<b>Main decision-making</b>	headquarters dominated	subsidiary dominated	made in regional headquarters	collaboration with headquarters and subsidiary
<b>Evaluation</b>	home standard dominated	local standard dominated locally	regional standards in regions	universal standards
<b>Rewards and punishment</b>	based on headquarters objectives	varied: low or high in the subsidiaries	diversified	based on global objectives
<b>High positions</b>	mainly PCNs	mainly HCNs	PCNs, HCNs or TCNs in the region	best fit irrespective of nationals

*Source: Present researcher's construct based on Drachal, K. (2014).*

The impact of international orientation on the relationship between headquarters and overseas subsidiaries manifests in the interdependency between a focal subsidiary and the other corporate group (Bartlett & Ghoshal, 1987; Ghoshal & Bartlett, 1986; Gupta & Govindarajan, 2000; Luo & Zhao, 2004). The varying degree of interdependency is likely to affect the deployment and implementation of daily HR practices in the overseas subsidiary as well. Extant literature indicates several factors could moderate the interdependency between a focal subsidiary and the corporate group, including the tacit knowledge of top managers



(Athanassiou & Nigh, 2000), the effect of 'administrative heritages' from the country-of-origin (Bartlett, 2008; Bartlett & Ghoshal, 1991), the strategic role of the subsidiary (Ghoshal & Nohria, 1989; Gupta & Govindarajan, 1991) and the internationalisation stages (Lu et al., 2014). Taylor et al. (1996) posited that the international strategy of MNEs and the top management's belief in the HRM capability of the company are two determinants in the choice of an IHRM strategy. Tarique et al. (2006) contend that the essence of international orientation implies the extent to which headquarters would exert control or autonomy over the subsidiary, including the control degree over the deployment of HR practices (Ferner, 1994; Young & Tavares, 2004). Subsidiary autonomy is a complex concept to define and measure (Young & Tavares, 2004). Kawai and Strange (2014) noted that the managerial discretion possessed by subsidiary managers about configuring the key resources, such as technology, knowledge, finance, and human capital, reflects the degree of subsidiary autonomy. Williams and van Triest (2009) suggested that the IHRM autonomy can be interpreted as the extent to which the subsidiaries have freedom to deploy their own HR policies and practices taking more local specifics into consideration. Ferner et al. (2004) stated that the capability of headquarters and subsidiaries to access relative power resources determines the choice of centralised or decentralised HR modes applied in overseas subsidiaries. In other words, the more valuable resources there are in the host markets, the more operational and managerial autonomy will be granted to subsidiaries. In addition, the development of informal inter-units and local social networks (Björkman & Kock, 1995; Ferner, 2000) have been suggested as an important prerequisite for competitiveness in some contexts.

MNEs with a single recognisable power and authority centre become quickly obsolete or outdated. The literature advocates promoting a much stronger strategic partnership between headquarters and overseas subsidiaries (Bartlett & Ghoshal, 1989, 1993). Several scholars have claimed that granting overseas subsidiaries more autonomy will improve their performance (e.g., Kawai & Strange, 2014; Gammelgaard et al., 2012; Ambos & Birkinshaw, 2010; Luo, 2003). The managerial discretion of the subsidiary is essential since the parent company might not be necessarily able to collect and process all relevant information and resources residing in the local market (Young & Tavares, 2004). Luo (2003) asserted that subsidiary independence leads to the appropriate alignment of business strategies and local market conditions. Other than that, subsidiary autonomy is optimal when it serves strategic purposes, such as knowledge transfer (Gupta & Govindarajan, 1991), absorbing resources (Johnston & Menguc, 2007), and designing HRM policies in complex institutional environments (Fenton-O’Creevy, Gooderham, & Nordhaug, 2008). As Fan et al. (2016) observed, compared with other business functions, such as finance function, the international HR decisions and policies seem to be less centralized in the subsidiaries of CMNEs which operate in developed countries (cf. Ferner et al., 2004). Therefore, these findings provide clear evidence that context is important when discussing this subject.

#### **2.4.4 The role of stages of internationalisation**

Each organisation should possess its own workforce strategies (Huselid, Becker, & Beatty, 2005). The essence of international HR strategy can be defined as the processes, decisions, and choices that organisations make regarding how they

manage their people (Dyer, 1984). When managers begin to develop and implement global strategic plans, they also start to consider the IHRM issues regarding balancing the 'globalness' or 'localness' tension between headquarters and the overseas subsidiary (Brisco & Schuler, 2004). Previous studies (Buckley et al., 2010; Henisz & Zelner, 2005; Meyer et al., 2009; Peng, 2001) gave more emphasis on discussing the relationship between the international experience of MNEs and the capabilities of organisations in overcoming the obstacles of being 'foreignness'. However, the generation of management strategy should take the different demands on production of products and sales at the different stages of an MNE's life cycle into consideration (Caligiuri & Stroh, 1995). It is widely accepted that the one assignable predictor of HR activities' effectiveness is how well HR activities 'fit' with an organisation's growth stage (Milliman et al., 1991). For example, start-up companies usually employ HR differently from existing mature MNEs. The different stages of an MNE's organisational life cycle might influence contemporary IHRM deployment and implementation in the overseas subsidiaries by affecting the traits of IHRM strategy (Perlmutter, 1969). However, most recent papers, notably those focusing on IHRM in EMNEs, haven't adequately explained this intermediate element, despite the fact that the international behaviour of EMNEs at the early stage is distinct from that of developed MNEs (Cuervo-Cazurra, 2012).

Extant literature presents numerous relevant organisational life cycle (OLC) models. In general, the OLC model indicates the life cycles an organisation goes through, starting from the embryonic phase, to the growth phase, maturity phase and finally arriving at the revival phase (Aldrich & Pfeffer, 1976). An organisation

must move through one stage before proceeding to the next. As an organisation grows and develops, so does its management function. Based on the fundamental work of Baird and Meshoulam (1988), the HRM activities of a firm in accordance with the OLC paradigm can be classified into the following five stages: initiation stage, functional growth stage, controlled growth stage, functional integration stage and strategic integration stage. This HRM-relevant OLC model exhibits predictions about the HRM practices of a domestic company at different stages. Nevertheless, with regard to the complexities of the international business environment, Milliman et al. (1991) developed a more nuanced model which proposed a set of conceptual predictions about the different strategies of IHRM at different internationalisation stages of MNEs. They were labelled as stage of initiation, functional growth, controlled growth, and finally the strategic integration.

Specifically, the **initiation stage** is characterised by limited products and markets as a start-up (Baird & Meshoulam, 1988). An overwhelming 'ad-hoc' strategy might be accepted because the top priority of MNEs at this stage is to survive. As a result, HR practices that are primarily handled by line managers and front-line employees may prioritise basic staffing and compensation activities in order to attract sufficient qualified candidates (Baird & Meshoulam, 1988). When the organisation moves towards the **functional growth stage**, it implies a period of rapid growth. The expanding market and increasing technical specialisation facilitate MNEs to develop a formal HR department and to standardise their HR practices globally. As MNEs try to establish a local market foothold, the language capability and local-bound knowledge of employees are highlighted. However, compared with a long-term focus strategy, at this stage, the central focus of the

organisation remains to gain efficiency in production (Ghadar & Adler, 1989). Providing more intensive pre-departure training and reasonable compensation packages to support the expatriates draws much of the attention of the MNEs (Ghadar & Adler, 1989).

When MNEs enter the **controlled growth stage**, overseas expansion is seen as making the enterprise more mature and powerful (Milliman et al., 1991). To support the complex and fragmented international operations, the MNE would place an emphasis on developing an effective and sophisticated organisational structure to ensure the headquarters control over cross-borders. Recruiting new hires is no longer as important as the cultivation of an internal talent cadre (Buller & Napier, 1993). Most likely, a bureaucratized or centralised HR scheme with congruent HR practices might be employed by both headquarters and overseas subsidiaries (Milliman et al., 1991). In the final **strategic integration stage**, MNEs might strive to build a better base of technical, manufacturing and financial resources, as well as to improve their management capabilities, and to solidify the external relationships (Hannon et al., 1995). On this global stage, MNEs expect that international talents can lead culturally and geographically diverse teams and engage with business partners and other stakeholders in each foreign location simultaneously (Bird & Mendenhall, 2016; Caligiuri, 2006). The ability of local responses is equally important to the intention of global integration (Bird & Mendenhall, 2016). Consequently, MNEs might more likely reinforce the formulation of a bundle of IHRM practices with a long-term emphasis. In essence, the deployment of IHRM might strive to maintain global integration and remain considerably flexible to respond to the local specifics. According to Doz and

Prahalad (1986), an overseas subsidiary should adapt well to the local environment if it aims to succeed in each stage of its life cycle.

In light of previous discussions, it is evident that the strategic demands of MNEs, in essence, include appropriately managing international HRM to respond to global integration imperatives and local responsiveness at different stages of internationalisation of MNEs. Global integration refers to the extent to which the subsidiaries and headquarters develop as a unified whole, and the subsidiaries develop quality standardised practices that maintain consistency with the overall strategic plan of MNEs (Bartlett, 2008). Conversely, local responsiveness implies the extent to which overseas operations of MNEs effectively respond to the distinctive local conditions, such as the local customer needs, cultural, social, political and legal constraints (Tarique et al., 2015). Given the basis of the works of Jarillo and Martiánez, (1990), Schuler et al. (1993), Hannon et al. (1995) further distinguished three types of international HR strategies which elucidated the variation in the degree of global integration and local differentiation of HRM policy and practices. They are receptive strategy, active strategy and autonomous strategy. More specifically, receptive strategy reflects a higher degree of global integration, which indicates that each subsidiary would most likely duplicate the home-originated HRM policy/practices and possess limited autonomy to respond to local conditions. Key HR decisions have been controlled by headquarters. Conversely, the autonomous IHRM strategy refers to the devolution of authority in HRM, and HRM deployment and implementation are encouraged to take full consideration of local conditions. The majority of HR decisions can be developed at subsidiary level. Regarding the active strategy, it is more like a hybrid mode.

Against this strategy, the demands of global integration and local responsiveness are valued equally (Schuler et al., 2002). Headquarters retain certain control over the HR decision making at overseas subsidiaries, but the degree is less than the receptive mode. Founded on the congruence perspective (fit theory), when an MNE formulates its IHRM strategy, it should perform a delicate balancing act (Hannon et al., 1995) to meet the distinctiveness of the environment and inner organisation (Baird & Meshoulam, 1988; Milliman et al., 1991). An analogous literature stream (Adler & Ghadar, 1999; Dowling, 1999a; Scullion & Starkey, 2000) advocates that the role of IHRM is changing along with the international development of MNEs.

Incorporating the various contingencies that an MNE encounters at different stages of its organisational life cycle into the IHRM strategy decision-making (Hannon et al., 1995), this thesis predicts that MNEs are more likely to coordinate the degree of global integration and local responsiveness embedded in the IHRM application to fit the nature of enterprise development. Figure 2-7 below depicts the theoretical linkage between OLC of MNEs and the corresponding ideal IHRM based on the strategic perspective. The vertical dimension represents the degree of integration that is manifested in the IHRM application employed by overseas subsidiaries of MNEs. The horizontal dimension denotes the degree of local responsiveness bearing in the IHRM application of overseas subsidiaries. The word 'High' and 'Low' are used as two continuums for measuring the degrees of integration and localisation. In detail,

- When MNEs stay at the initial international stage, neither integration nor localisation is important for the IHRM application albeit the importance of

business survival. It is most likely that the “ad-hoc” IHRM application dominates at this stage.

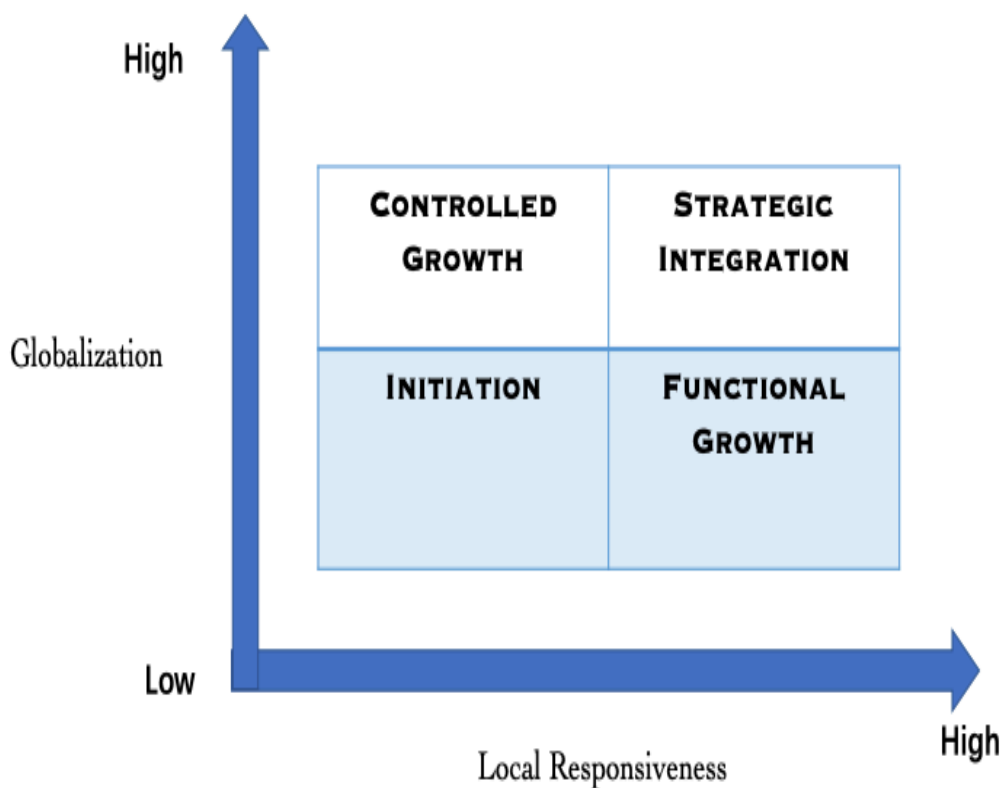
- When MNEs go forward to the functional growth stage, the overseas subsidiary might more likely exploit local essential resources; therefore, a greater autonomy would be granted to the overseas subsidiary for making IHRM decisions and deployment.
- When MNEs go forward to the controlled growth stage, a dynamic and large range of product/service and overseas markets might require a set of standardized IHRM activities across the borders. Thus, additional control over subsidiaries from the headquarters could be anticipated.
- At the strategic integration stage, an eclectic configuration of IHRM is utilised to accommodate the strategic demands of an overseas subsidiary as being integrated with the whole MNE but retaining a certain degree of flexibility.

However, another interlinked question arises: Do Chinese MNEs experience a similar OLC path as their Western counterparts? In the research about the internationalisation process of CMNEs, some authors (Buckley et al., 2010; Luo & Tung, 2007; Wang et al., 2014) found that CMNEs seem to take a ‘leapfrog’ in their internationalisation. In detail, the CMNEs’ internationalisation pace is noticeably faster than their counterparts in the West, notably in the smokestack and sunrise industries (Ramamurti & Hillemann, 2018). China has gone through a quite different development path due to its short history of being a market economy and international participators. The support of home and host government’s preferential policies (Cui & Jiang, 2012; Luo et al., 2010), network



assets(Deng,2012) and assistance from international pioneering MNEs (Mathews, 2006) are perceived to accelerate the development of CMNEs in the international market. MNEs from emerging markets usually show more adaptability, experimentation, and risk-taking during the internationalisation process (Madhok & Marques, 2013). The distinctiveness of EMNEs has the effect of contributing to differing IHRM modes (Khavul, Benson, & Datta, 2010).

Figure 2-7 Linkage between OLC of MNEs and IHRM Applications



Source: work of the present researcher based on Hannon, J. M., & Jaw, B. S. (1995), and Milliman, J., Glinow, M. A. V., & Nathan, M. (1991).

In the widely cited work of Mathews (2006), the CMNEs go through a rapid internationalisation path by experiencing the connecting, leverage and learning stages. CMNEs attempt to imitate other successful existing international players at first, then focus on gaining international technologies or market position, and

latterly, emphasise repeated application of the gained techniques or practices to enhance their own international capabilities. This process was termed as the 'LLL' strategic framework for explaining how CMNEs catch up with their Western advanced counterparts in the global market as the latecomers. In studying four leading CMNEs, Teagarden and Cai (2009) empirically identified four evolutionary phases when CMNEs venture overseas, namely learning, build-up, internationalisation and globalisation phases. This path can be described as one clear pattern as 'learn-apply-internationalise-grow'. This process of internationalisation is slightly different from the conventional OLC model described earlier, but it shares some similar characteristics with the 'LLL' model.

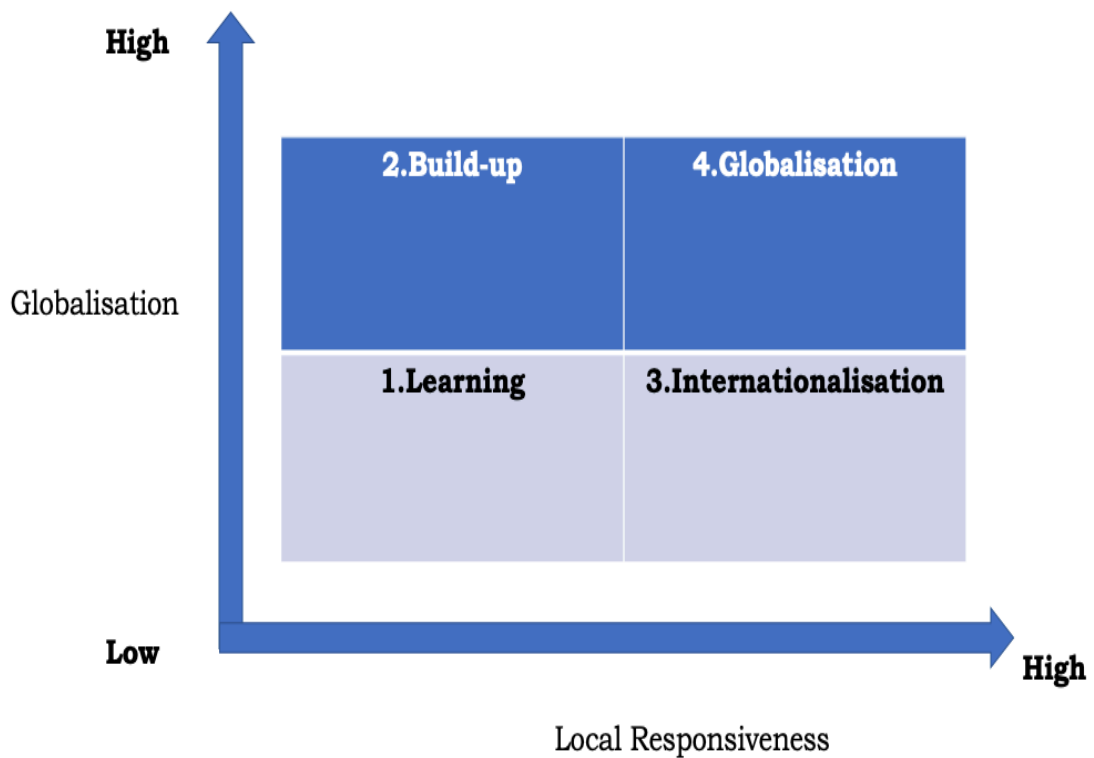
CMNEs begin their internationalisation process by gaining access to existing advanced technology and know-how via international expansion or joint ventures (Fan et al., 2013; Deng, 2009). Normally, this learning complies with collaboration, joint venture or licensing agreements with foreign companies. This is why more Chinese companies are perceived to choose cross-border mergers and acquisition (M&A) as their entry mode. In this way, they are able to get access to intangible and tangible key strategic assets (Deng, 2009). During the **learning phase**, the primary aim of CMNEs is to learn the skill sets (Teagarden & Cai, 2009) instead of considering survival or growth. Most human resource management activities are oriented toward employee knowledge acquisition and development. Supportive training and rewarding activities for stimulating knowledge acquisition, skill polishing, and manufacturing are emphasised at this point. Global standardised IHRM initiatives could have a positive impact on research and development (R & D) in a global context (Kim, Park, & Prescott,

2003). Both technological and managerial skills are important for CMNEs to acquire, so these methods allow them to offset their competitive disadvantages and utilise their unique advantages simultaneously (Rui & Yip, 2008). When CMNEs grow to the **build-up phase**, coupled with the increase in technological capability, the function of human resources management gradually gives more emphasis to building a corporate climate and facilitating value sharing. CMNEs adapt to selective local-specific HR practices to respond to the local conditions. Training and meritocracy shift from the production emphasis to managerial capacities. When MNEs move towards the **internationalisation phase**, the main concerns of CMNEs are targeting more lucrative markets, to customise products and services in the local market and build reputation. However, incompetence in cross-cultural management is becoming prevalent. By offsetting the general ineptitude of cross-cultural management and meeting market demands, localising the IHRM initiatives is a necessary development, in particular for the overseas subsidiaries located in developed countries (e.g., Liu & Woywode, 2013). The deployment of HR practices could focus on building a more sophisticated staffing and appraisal system, which seeks to retain employees who can effectively lead the global operation. The organisation might embark on formal training programmes to enhance its global value. Lastly, when CMNEs evolve to the **global phase**, which is similar to the strategic integration stages as mentioned earlier, the steady increase of domestic and global markets become equally important for CMNEs. The HR function would give more emphasis to building the long-term career paths for employees and developing the cadre of qualified talents (Scullion & Starkey, 2000). The increasing demand for intense contact amongst employees and knowledge sharing within the MNEs will further shape

the implementation of IHR activities (Dowling, 1999).

Given the preceding debate, it is clear that CMNEs follow a slightly different internationalisation path than their western counterparts due to their latecomer status. Combining the characteristics of different IHRM approaches with the 'learn-apply-internationalise-globalise' path of CMNEs, Figure 2-8 also presented a conceptual framework for forecasting the various IHRM solutions that are more likely to be implemented by CMNEs in order to address the international strategic challenge of 'globalisation or local responsiveness'. In comparison to the framework shown in Figure 2-7, which is mainly based on the linkage between OLC and IHRM applications in Western MNEs, CMNEs have a lower level of independence as they progress through the first two stages of internationalisation, but a higher degree of localisation and flexibility dominates the latter two stages. While CMNEs are known to be more likely to highlight integration in the early stages, this might have implications for corresponding IHRM deployment and implementation given the strategic demands of balancing the tensions between globalisation and localisation (Caligiuri & Stroh, 1995).

Figure 2-8 Linkage between Stages of Internationalisation of Chinese MNEs and SIHRM Applications



*Source: developed by the present researcher*

## **2.5 The strategic effectiveness of IHRM in the Chinese MNE**

### **2.5.1 The role of global strategic objectives of business**

Björkman and Welch (2015) pointed out two main research themes in the extant international HRM literature: one is the rationale behind the variations in the international HRM approaches of MNEs from different countries; and another one is the assessment of IHRM outcomes in the context of MNEs (Stahl et al., 2012). Based on the work of Huselid et al. (1997), one relevant way to evaluate the strategic outcome of the HRM application is how well it enables employees in a firm to actively support the achievement of business objectives. To ensure business success, an audit of the strategic efficacy of IHRM application in MNEs is required. The audit could raise business awareness of properly deploying and

reconfiguring the international workforce, as well as maintaining a company's global competitiveness by offsetting potential deficiencies (Florkowski & Schuler, 1994).

Coinciding with the perspective of strategic outcome of HRM, the SIHRM field advocates that the degree of accommodation between a company's global strategic objective and the IHRM approach can be a good metric to assess the strategic effectiveness of a company's IHRM application (Adler & Ghadar, 1999; Florkowski & Schuler, 1994). In essence, the IHRM strategies play a significant role in distributing human resources accurately (Baird & Meshoulam, 1988). It has been theoretically argued that different global strategies should have varied implications for the IHRM configuration (Taylor et al., 1996). There is one argument which asserts that a significant disjunction might exist between the strategic needs of business and the realistic IHRM support (Engle et al., 2001). However, there is a paucity of empirical evidence, particularly in the case of EMNEs (Björkman & Welch, 2015).

The purpose of developing an MNE's international strategy is to assist the company in overcoming international challenges and optimising the allocation of essential resources in order to maintain a competitive edge over time. For example, when the international strategic objective of a company rests on the pursuit of economies of scale, the MNEs might concentrate on reaping cost reductions and other efficiencies derived from global integration. Consequently, MNEs would emphasise control over their overseas operations (Konopaske, Werner, & Neupert, 2002). In essence, global strategies can be formulated by

considering global integration and local responsiveness(Doz & Prahalad, 1991). The seminal work of Barlett and Ghoshal (2000) identified four main international strategic objectives of MNEs, which help in the pursuit of global efficiency, local responsiveness, worldwide learning capability and a complex mix of both. The **global strategy** (global efficiency) has a primary concern with achieving economies of scale and spreading competitive advantage over a global scope instead of an individual national environment. Thus, strong inter-integration and coordination are essential in the MNE (Evans, Pucik, & Barsoux, 2002). Conversely, the **multi-domestic strategy** (local responsiveness) highlights the importance of sensitiveness to local needs and considers multinational flexibility as a source of core competence. Thereby, an overseas subsidiary might gain less control from the headquarters and the decentralisation of power might become dominant (Bartlett & Ghoshal, 1987). With respect to the **international strategy** (worldwide learning), the core competitive advantage of the MNE is generated from the knowledge (technology and expertise) acquisition amongst worldwide units, which requires a cycle of knowledge diffusion, learning and enhancement. Competition is fierce, so organisations with limited strategic capability might not be able to survive in today's advanced global marketplace. Thus, the **transnational strategy** answers the need for MNEs to achieve the three strategic goals simultaneously by tailoring a hybrid strategy for guiding the attainment of objective achievement on a world-wide basis (Bartlett & Ghoshal, 1987). The transnational company strives to achieve a balance between global efficiency and local responsiveness by establishing an effective interdependent network for transferring people, products, and knowledge between subsidiaries. Recent researches advocate the effectiveness of transnational strategy in the

contemporary complex global context (Gilbert & Heinecke, 2014; Holtbrügge & Mohr, 2011)

The assessment which focuses on the strategic outcome of IHRM ultimately boils down to examining how well the IHRM approach serves to reconcile the relationship of global integration, coordination and local responsiveness between headquarters and overseas subsidiaries for the purpose of fulfilling the overarching global strategic goals. By this means, the resource endowments from the headquarters can be appropriately redressed and the global strategic objectives can be adequately satisfied (Peng et al., 2017). In fact, this is one classic issue faced by IHRM professionals, which was termed as the pursuit of 'units linkage' from the perspective of SIHRM (Schuler et al., 1993; Tarique, 2016). In keeping with the widespread strategic demands of MNEs as being integrated, localised or innovative (Bartlett & Ghoshal, 1989, 2000, 2002), the accommodated IHRM approaches are assorted and termed as globalised, localised, and transnational IHRM approaches in this study (Hannon et al., 1995).

The extant literature indicates that MNEs, which tend to pursue economies of scale by repeating domestic success (Bartlett & Ghoshal, 2002), are more likely to choose the globalised IHRM approach. It implies that MNEs might prefer to standardise the HR policy/practices globally, and the headquarters would exert greater control over its overseas subsidiaries (Dickmann & Müller-Camen, 2006). Under high control, the transmission of domestic knowledge and expertise, including technical/managerial know-how and national/organisational values, can be stimulated as well (Fee, McGrath-Champ, & Yang, 2011; Takeda & Helms,



2010; Zhu et al.,2018). On the other hand, MNEs that emphasise accessing local resources and capabilities for the purpose of gaining competitive advantage, or building aptitude to handle local information, might be more likely to employ a localised IHRM approach (e.g.,Dunning&Mathews, 2006; Bartlett & Ghoshal, 2002). Facing today's complexity of global competition, most MNEs manage to pursue a more effective 'transnational solution' in the aspect of their IHRM (Dickmann & Müller-Camen, 2006). Transnational firms are distinguished by their ability to solve the integration and differentiation puzzle (Bartlett & Ghoshal, 2002).It suggests that MNEs should foster interdependence between home and host countries' advantages as well as be aware of intra-organizational unique advantages (Rugman & Verbeke, 1992).The informal controls become more vital since the management tasks can be more unstructured in a transnational firm (Scullion & Starkey, 2000). Therefore, in this scenario, the transnational IHRM approach is expected to enhance communication and coordination (Dickmann & Müller-Camen, 2006), the creation of knowledge transmission channels, and interpersonal social networks across borders (Gupta & Govindarajan, 2000 ).

However, the MNE's international strategic objectives are contingent upon the particular characteristics and strategic demands of each specific MNE. The specific characteristics of an MNE include its internationalisation process (Milliman et al.1991), the country of origin (Luo & Rui, 2009) and the intensity of domestic market competition (Yiu, Lau, & Bruton, 2007). For example, it has been long acknowledged that, as a latecomer, the main strategic international objective of CMNEs is to catch up other developed counterparts (Child & Rodrigues, 2005; Jackson & Horwitz, 2018; Parmentola, 2011). The accommodated IHRM

solutions of CMNEs might be different from other conventional Western MNEs from time to time. Therefore, it is necessary to clarify the main international strategic objectives of CMNEs which originate from the emerging market.

On the basis of the classic eclectic paradigm in international business, which is normally used to analyze the internationalisation motives of MNEs (Dunning, 1980), the international expansion of most MNEs is driven by three advantages: ownership, location, and internalization (OLI) (Mudambi, 2004). As for EMNEs, two strategic objectives might be dominant in their internationalisation process. The first one is termed as 'assets exploitation'. Asset exploitation indicates that MNEs might attempt to achieve international success by exploiting the existing firm-specific or historically embedded competencies and capabilities (Carpenter, Sanders, & Gregersen, 2001). However, given the truth that most EMNEs suffer from resources and capabilities imperfections in the global market, there is another literature strand arguing that asset acquisition might primarily motivate and underpin EMNEs' international expansion. It enables MNEs to improve competitiveness in both domestic and global markets (Deng, 2012; Luo & Tung, 2007). In particular, EMNEs have been long acknowledged to face consistent and dynamic 'double hurdles', which are the 'liability of foreignness' and effects of 'country-of-origin' (Chang & Taylor, 1999; Ouyang et al., 2019). The double hurdles might constantly drive EMNE to take knowledge/expertise acquisition from the host countries, notably those in the developed economies. By accumulating strategic assets (e.g., technical/managerial know-how, developing human resources) and applying them in indigenous operations, EMNEs can further consolidate their presence in

both home and host markets, while mediating the host country's institutional and regulatory pressures(Child & Rodrigues, 2005; Wang et al., 2014;Ouyang et al.,2019). This claim appears particularly true as it has been affirmed by the empirical evidence derived from the CMNEs (Alon et al., 2018). Some authors (Fan et al., 2016; Liu & Woywode, 2013; Lyles et al., 2014) noted that EMNEs may be more likely to compensate their liabilities by becoming an 'insider' in the host market. The higher the degree of localisation, the easier it is for an EMNE to obtain local-specific knowledge(Brenner & Ambos, 2013).

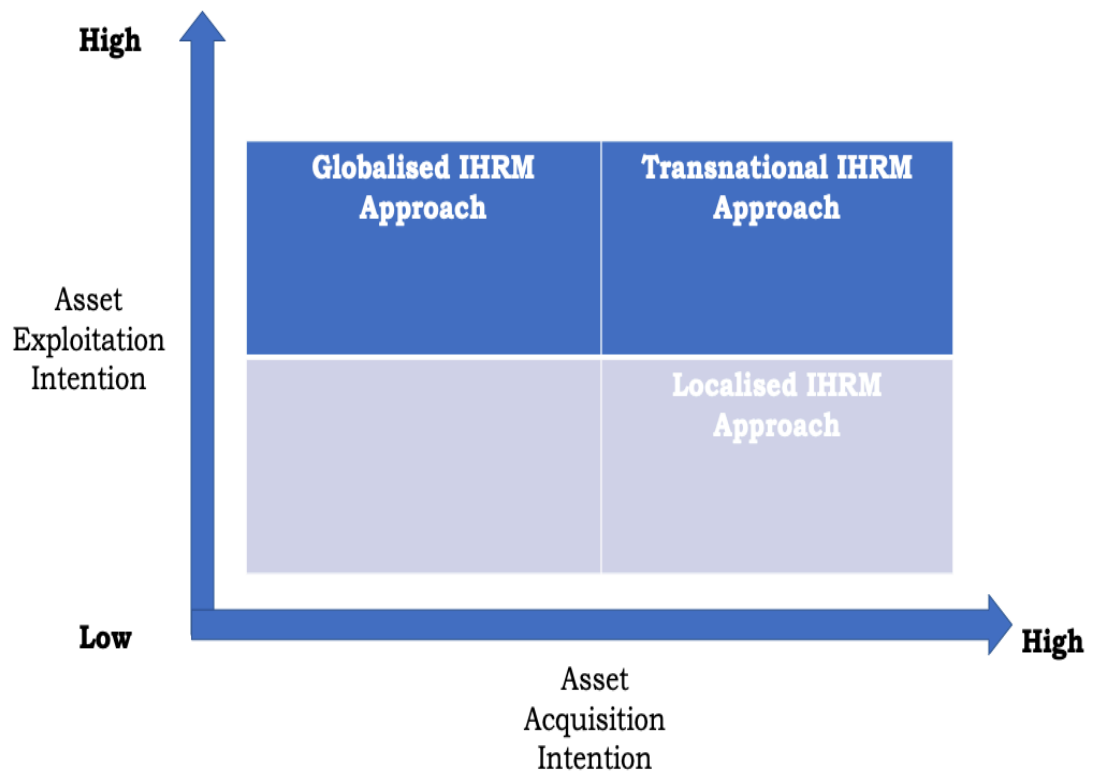
It is worth pointing out that the strategic intention of asset exploitation is not entirely incompatible with the asset acquisition intention in the context of CMNEs. The application of asset exploitation is given the premise that MNEs possess special or sustainable initial advantages when venturing abroad (Dunning & Mathews, 2006). Some CMNEs are now recognised as global leaders in specific sectors (Casanova & Miroux, 2019), and it is possible for them to replicate their global economic success by capitalising on their competitiveness or exploiting the skills gap between their home market and other host markets in developing countries (Parmentola, 2011).Some authors highlighted that corporate entrepreneurship and learning capacity are key determinants in facilitating the world's leadership of CMNEs (Cooke, Wu, et al., 2018). Corporate entrepreneurship specifies a corporation's commitment to continuously conduct innovation and create new businesses and resources to maintain sustainable global competitiveness (Guth & Ginsberg, 1990; Yiu et al., 2007). Furthermore, Luo and Rui(2009) posited an 'ambidextrous' view to explain the case, as CMNEs might possess co-strategic primary aims. It suggests that some CMNEs may

pursue both asset acquisition and asset exploitation as strategic goals in order to achieve both short-term and long-term international competitiveness. Asset exploitation can be broadly defined as CMNEs' economic aim to capitalise on early ownership advantages and replicate their commercial performance across the worldwide market. The initial ownership advantage could be location-bound intra-corporate resources, competitive advantages and capabilities (Rugman & Verbeke, 1992). The asset acquisition objective is primarily focused on leveraging host-bound competitive resources, with particular emphasis on knowledge/expertise accumulation and reverse diffusion (Makino, Lau and Yeh, 2002). Hence, on the resource side, it seems both strategic asset exploitation and acquisition views are suitable to explain the international strategic aims of CMNEs (Luo & Rui, 2009; Yiu et al., 2007).

As noted earlier, the examination of the strategic efficiency of the SIHRM approach in the CMNEs should focus on the extent to which the essence of international strategic objectives is accommodated by IHRM applications, which will in turn promote the survival or extinction of MNEs (Chan, Shaffer, & Snape, 2004). Incorporating the distinctive traits of CMNEs' strategic objectives to the paradigm of IHRM approaches, this thesis further conceptualises a potential relationship between the CMNEs' global strategic objectives and the ideal matching IHRM solutions. To be exact, CMNEs' global strategic objectives constitute the maintenance of initial competitive resources, capability, competitive advantages, or the absorption and reconfiguration of the advanced host's location-bound knowledge/expertise, and other strategic assets. Therefore, the coping IHRM approaches are expected to work as one effective mechanism to

facilitate asset exploitation or acquisition, or both. As shown in Figure 2-9, the vertical axis illustrates the extent to which the global strategic objectives of CMNEs rest on exploiting initial ownership advantages, such as gaining the economics of scale. The horizontal axis depicts the degree to which CMNEs wish to promote strategic asset acquisition, particularly for the purpose of acquiring location-specific information, skills, and brands.

Figure 2-9 Linkage between International Strategic Objectives of CMNEs and SIHRM Applications



*Source: developed by the present researcher based on literature review*

### 2.5.2 The role of control mechanism

One of the most significant managerial challenges faced by MNEs is determining how to effectively govern and coordinate essential resources for supporting geographically dispersed overseas subsidiaries' operations. Indeed, as

globalisation deepens, MNEs strive to appropriately implement the organisational structure for monitoring the operations, which is supposed to align with the strategic needs of business (Engle et al., 2001). As Lebas and Weigenstein (1986,p259) defined: “the management control is characterised as the process in which an organisation ensures its subunits function in a cooperative way so that the key resources can be optimally driven to achieve the organisational goals.” In other words, the headquarters of MNEs tend to establish effective mechanisms to carefully control, observe, and evaluate the managerial activities of overseas subsidiaries. In this way, headquarters can ensure the overseas subsidiary behaves in line with the best interest of the MNE as a whole, and enable smooth information connectivity and resource flow within the organisation (Luo, 2002).

MNEs routinely employ a wide variety of control mechanisms at varying extents in order to meet global consistency and local sensitivity without sacrificing the firm's core competence (Kim et al., 2003; Smale, 2008). For instance, Snell (1992) pioneered a control theory, which stated that HRM practices can be combined into three types of control system (i.e. behaviour control, output control and input control). The practices of selection and training can act as the input control of the company, while the appraisal and rewards system can be employed to control the behaviours of employees and the output of the organisation.

Furthermore, Harzing (1999, 2001) summarised four general control mechanisms that are often applied in MNEs, namely: personal control, formalised bureaucratic control, output control, and socialisation and network control. Reinterpreted by Chang, Mellahi, and Wilkinson (2009), these four control mechanisms can be

permutated and presented from two dimensions, the dimension of personal versus impersonal, and directly versus indirectly. Specifically, 1) personal and direct control (personal centralised control) with characteristics such as relying on direct supervision from headquarters through expatriates; 2) personal and indirect control (bureaucratic formalised control) with features such as applying rigid and formal rules or manuals without interference from expatriates; 3) personal and indirect control by intensively utilising the expatriates to transmit the common values and objectives; 4) impersonal and indirect control by regulating and measuring behaviours on the basis of reliable evidence of production from subsidiaries (Ouchi, 1979).

Drawing on the extant literature, this thesis further combines and assorts the above mentioned control mechanisms into three main control approaches, namely bureaucratic control, personal control and social control (e.g., Ouchi, 1979; Child, 1984; Chang et al., 2009). Table 2-6 illustrates the theoretical connotations of each control mechanism. Empirical evidence shows that MNEs from different countries might employ different control mechanisms to varying degrees over their overseas subsidiaries (Vachani, 1995). For example, Child (1984) posited that the application of personal control might be dominant in a small firm; whilst impersonal control is more appropriate for a bigger firm, such as an MNE. Personal control is noted to be usually employed in the business systems of some typical nations (Edwards & Ferner, 2004b; Ferner, 2000), like Japanese MNEs. They seem to have a penchant for intensively utilising 'personal control' to conduct extensive monitoring of the overseas subsidiaries by large numbers of home country expatriates (Harzing, 1996). Because of the intensive involvement

of home country expatriates in many aspects, HR activities have become a ready-made structural system for implementing headquarters control (Harzing, 2001). Conventional MNEs are more likely to highlight the control of the administrative structure within the organisation. In today's market environment, an identifiable power centre seems outdated, and corporations have taken the trend towards decentralisation. It implies that informal control mechanisms are more applicable than output-based and bureaucratic control in today's global business environment.

Table 2-6 Three Control Mechanisms of MNEs

<b>Control Mechanism</b>	<b>Connotation</b>
<b>Bureaucratic Control</b>	Emphasising the use of standardised policies and procedures for regulating, evaluating and punishing against specified targets without intensive personal interaction, such as the written manual.
<b>Personal Control</b>	Emphasising the use of expatriates' direct supervision or indoctrination for influencing personal behaviours input against specified objectives.
<b>Socialised Control</b>	Emphasising the use of informal and subtle personal interactions for sharing common values, beliefs, and knowledge regarding the 'rules of the game' across MNE units.

*Source: developed by the present researcher based on Harzing & Sorge, (2003) and Chang, Mellahi & Wilkinson, (2009)*

Personal and social networking controls are recognised as two relatively 'soft' approaches when compared to the bureaucratic approach. They manifest in intensive supervision, information exchange, value sharing and knowledge transfer within personal and cultural networks (Kawai & Strange, 2014). The socialised control, which is also termed 'cultural control' or 'network control', is



relied upon for the connectivity of learning opportunities, knowledge transmission, and organisational values (Luo & Peng, 1999). This process can be accomplished by expatriates who act as 'bumble-bees', flying from plant to plant, propagating organisational common norms and values across borders (Harzing,2001). Also, expatriates can promote cross-unit social links (Bozkurt & Mohr, 2011) and transfer knowledge and know-how (Chang & Smale, 2013). Plourde, Parker and Schaan (2014) agreed that expatriates are a critical pipeline for overseas subsidiaries to get access to complementary firm-specific resources in time (i.e. budget,technological,marketing knowledge and experience resources). Alvesson and Berg (2011) advocated that HR activities are an important mechanism to build the company's cultural environment. Given the increasing empowerment of employees in today's MNEs, MNEs are more likely to devote resources to enhance the communication amongst employees, thereby the conscious decisions made by employees would more likely remain the same as the top management's decisions (Sparrow et al., 1994). Bearing this in mind, companies can promote the sharing of organisational culture by staffing employees who have the same values with the company or shape employees' values through training and promotion schemes.

In fact, as long as the headquarters-subsidary relationship exists, there is a certain level of control imposed by headquarters. A high degree of control between headquarters and subsidiaries does not necessarily mean a low degree of localisation (Fan et al., 2016). Ambos and Birkinshaw (2010) found that subsidiaries might achieve superior performance by enjoying higher levels of local decision-making authority and by possessing the sufficient support from

headquarters through the inner organisational network. Some scholars (Cooke & Lin, 2012; Fan et al., 2016, 2013; Zhang & Edwards, 2007) gave more attention to discuss how EMNEs configure IHRM practices and take it as a control mechanism, noticed that many EMNEs seem to employ a 'hybrid' IHRM system. That is, the company might send a large number of expatriates to fill key positions, and formalise the appraisal and rewards system (Zhang & Fan, 2014); yet, the company may also localise the recruitment procedures and training system to meet local needs. Based on multiple case studies, Rui, Zhang, and Shipman (2017) argued that CMNEs gain competitive advantage by sending overwhelming numbers of expatriates to the posts at managerial and operational level when they go and penetrate into other emerging markets. The Chinese expatriates, who are characterised as having relatively low cost, high productivity, and hard-working spirit, improve the competitiveness of CMNCs since they not only ensure the delivery of cost-effective and differentiated goods, but also transfer innovative knowledge across borders. Based on the U.S. MNE evidence, Gomez and Sanchez (2005) posited that it is hard to generalise what the ideal combination of formal and informal control mechanisms is in MNEs, which aim to pursue better performance. Because there are too many variables that need to be considered.

The paradigm of control mechanism can be utilised as the research instrument to identify how and to what degree the IHRM application of MNEs could contribute to the control linkage and fulfilment between headquarters and subsidiaries or vice-versa. The IHRM implementation should be deployed to preserve the company's global standing or customise it to local responsiveness or strike a delicate balance. Applying the conceptual model, which clarified the connection

between strategic goals of business and the accommodated IHRM approaches, into the collected data, chapter seven will conduct a thorough qualitative examination of how and how well the IHRM of the CCMNE accommodates the strategic objectives of the company through the lens of control theory.

## **2.6 Summary of chapter two**

This chapter began with the introduction and illustration of the notion and evolution of key concepts in the IHRM domain. It emphasised the importance and necessity of aligning IHRM with the MNE's strategy from a broader range of perspectives. There are several extant integrative theoretical frameworks that show the major components, influential factors, and SIHRM issues. The literature, on the other hand, raises the question of how applicable existing theoretical assumptions drawn from the setting of western MNEs are in the context of MNEs from emerging markets, such as China. The country-of-origin effect and the importance of contextualization are underlined as crucial influencing aspects that require more in-depth investigation and interrogation.

Using the existing conceptual framework, the review context is narrowed to CMNEs in the construction sector, which have grown to be one of the world's most powerful participants in today's global market despite having various institutional, cultural, and industry peculiarities. Sections 2.3 and 2.4, respectively, cover external and internal factors that could influence the deployment and implementation of IHRM in CMNEs' overseas subsidiaries in general, and CCMNEs in particular. Using a multi-theoretical approach, this chapter proposes that institutional actors (i.e. governmental and regulatory forces), cultural variations, industrial nature, and international competition features may all

combine as the main external environmental elements that influence IHRM in CMNE. Similarly, the competitive strategy, top manager's orientations and the stages of internationalisation are argued to be the key internal influential factors that affect the IHRM of CMNEs.

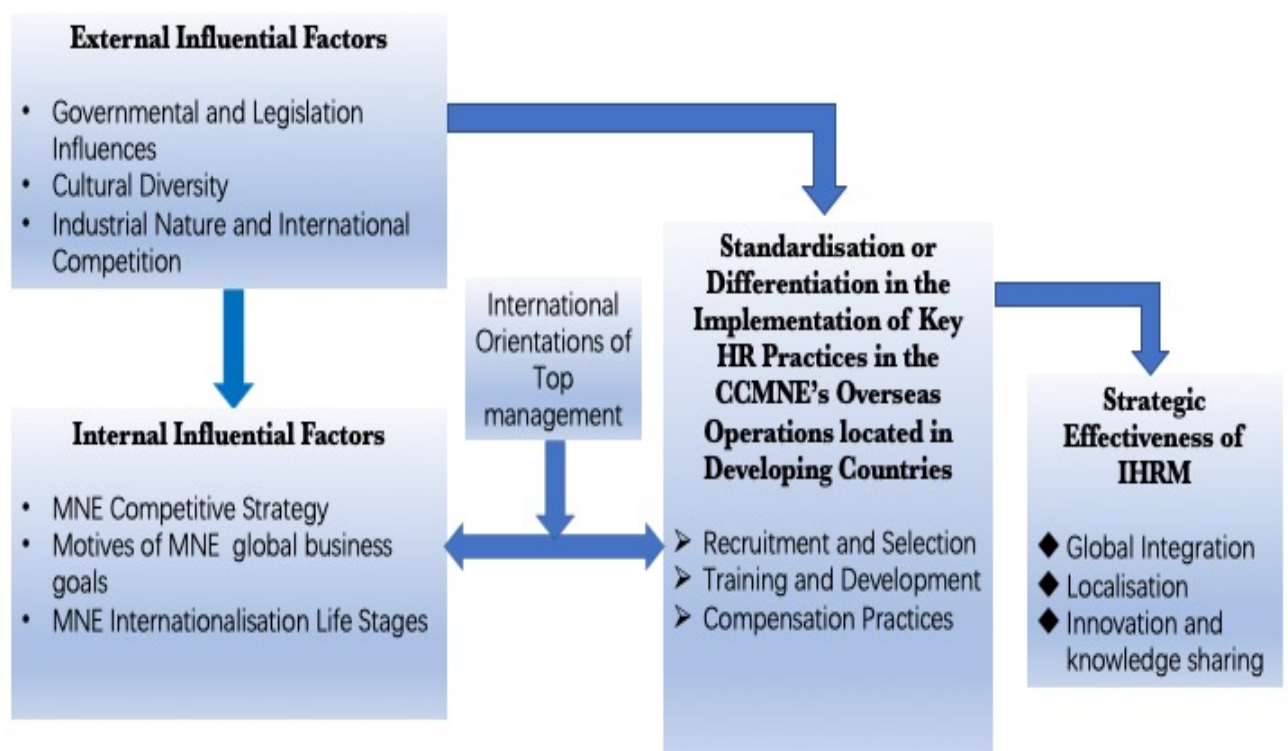
Given the research objectives, to better understand how and why CCMNEs strategically manage their international workforce when expanding to the developing host countries, being aware of the strategic efficiency of the deployment and implementation of IHRM in CMNEs is necessary. Based on the resource view, section 2.5 argued that strategic asset exploitation and acquisition might be two main international strategic intentions of CMNEs. Given the premise of the strategic goals of CMNEs, Figure 2-9 proposes a conceptual framework for displaying the accommodation between CMNEs' pure international strategic intentions and suitably applied IHRM approaches. The control theory serves as a research lens for examining how and to what extent IHRM aligns with MNEs' international strategic needs.

To sum up, on the basis of the overarching literature review, Figure 2-10 shows a preliminary integrative conceptual template for capturing the holistic process of strategic deployment and implementation in international HRM practices in CCMNEs' overseas operations, as well as its strategic implications. This conceptual template exemplifies a key issue in the IHRM domain: how HR practices are transferred and adapted cross-boarder within MNEs. On the left-hand side, the external and internal antecedents of deployment in HR practices, transfer, and local implementation are presented. The strategic interaction

between IHRM and the attainment of business international goals is noted in the right-hand column.

In order to gain more in-depth knowledge by examining the applicability of this theoretical-based framework with empirical evidence, this theoretical-based framework will be used as a map for guiding data collection and identifying themes in the preliminary coding of data. The details of data collection, coding and analysis will be discussed in the next chapter.

Figure 2-10 Initial Integrative Conceptual Framework (Template One)



Source: Developed by the present researcher based on the literature review

## **CHAPTER THREE:**

### **RESEARCH METHODOLOGY AND METHODS**

#### **3.1 Introduction**

The purpose of this chapter is to explain the rationale underpinning the researcher's choice of research paradigm and the methods for addressing the research questions in this thesis, based on the research objectives. The research paradigm includes the components of ontology, epistemology, and theoretical perspectives of this research in accordance with the research objectives and questions (Guba, 1990). The design and utilisation of a research methodology includes the clarification of research approaches, strategy and the techniques aiming to analyse, test, develop or enhance the theoretical explanations in a particular discipline (Ritchie & Lewis, 2003). This chapter is composed of five main sections. The first section elaborates the philosophical rationale that lies behind the choice of research methodology of this research. The adopted research methodology, which includes the research approaches, strategies, and techniques, is justified afterwards in section two. In the third section, the data collection methods for collecting qualitative primary and secondary data are introduced. The process of data collection and analysis, and the research ethics considerations are delineated in the following sections.

#### **3.2 Ontology, epistemology and theoretical perspective: critical realism**

Crotty(1998) pointed out that in social research, research ontology/epistemology, theoretical perspectives, research methodology, and research techniques are

four basic elements that require clarification when conducting research. They take on the role of guiding the research process and validating the research findings to fulfill the research aims. The acceptance of the philosophical assumptions of a piece of research is paramount because the philosophical stance will form the way in which the researcher should carry out his/her research later (Alvesson & Sköldbberg, 2017). Thus, at the starting point, it is necessary for researchers to be aware of their own beliefs about the nature of the 'phenomena' they are meant to discover, and what the best ways to acquire knowledge of them are (Easterby-Smith, 2015). In other words, the research philosophy underpins the creation and existence of knowledge which is intrinsically linked to the assumptions that constitute the world-view of the researchers (Saunders, 2015). Also, it is worth noting that there is no universal 'best' research philosophy but a 'fit' one with close linkage to the research aims and objectives (Tsoukas & Knudsen, 2005).

Ontology refers to the nature of social reality. Through this, a researcher might seek to understand whether reality in itself exists outside of social entities, or whether it is a construction of people in society based on their perceptions and actions. In management-relevant research, the ontological assumption of the research determines how it understands managerial activities in the context of an organisation. Based on the literature, there are four main different ontological positions, which are depicted below in Table 3-1. They can be broadly divided into three clusters: realism, nominalism, and others (Easterby-Smith, 2015). Realism and nominalism represent two extreme poles of a continuum, and the others are located in the middle of the continuum. With respect to the realists, they believe

the existence of physical and social worlds is independent of interactive consciousness. Conversely, from the perspective of nominalism, 'being' is not totally consciousness-free, but contingent upon human practices which should constantly make sense of it. Considering this specific research, the research objectives are to explore the nature and impact of international HRM in CCMNEs. It is clear that realism is the most appropriate ontological position, because the research phenomena, as the existing IHRM mode of CCMNEs, is supposed to be a single, concrete fact that can be observed by every investigator and detached from the researcher's interactions.

Table 3-1 Four Main Schools of Ontologies

Ontology	Realism	Internal Realism	Relativism	Nominalism
Truth	Single truth	Truth exists, but is obscure	There are many 'truths'	There is no truth
Facts	Facts exist and can be revealed	Facts are concrete, but cannot be accessed directly	Facts depend on viewpoint of observer	Facts are all human creations

*Source: Adapted from Easterby-Smith (2015, p64)*

Ontology always sits alongside epistemology (Crotty, 1998). The epistemology raises questions about what exactly knowledge is and how we know what we know (Grix, 2002). Three of the most important epistemological positions are mentioned in the social sciences: positivism, social realism, and social constructivism (Curtis, 2011). The key tenet of positivism is that the external world is an objective truth and can be measured through objective methods. It can be observed externally rather than requiring interpretation from observers (Crotty, 1998; Easterby-Smith, 2015). From the perspective of constructionism, no truth



exists without the interaction of the mind. The order and structure of social phenomena are created by researchers and other social actors through their perceptions, conceptual categories, and language (Saunders, 2015). Social realism appears to sit in the middle ground between these two extreme positions of positivism and social constructionism. Social realism believes objective reality exists independently of human activity, but predicts that it exists through the mediation of scientists' perceptions and actions (Curtis, 2011). In general, positivism and social constructionism are two competing approaches which are two main epistemologies embodied in many theoretical perspectives (Crotty, 1998). Ontologically, positivism sits alongside realism, social constructionism embraces nominalism, and social realism sits between two ends of a continuum.

Incorporating the corresponding research ontology/epistemology, a three-fold theoretical perspective has been proposed by Orlikowski and Baroudi (1991), namely positivist, interpretive and critical realism. Saunders (2015) also opines that positivism, interpretivism, and critical realism, are three major philosophies which underpin business and management research. In essence, the particular theoretical stance lies behind the justification of the research methodology. It provides a context for research progress, and grounds the logic and criteria of methodology (Crotty, 1998). Specifically, when it comes to a positivist research, positivist researchers usually formulate ideas, quantify measures of variables, test hypotheses, and draw inferences from the sample to a defined population for developing generalisations (Myers, 2013). Regarding interpretivism, researchers would focus on contextualization. In other words, they tend to understand and explore human and social reality by focusing on its meaning in context (Myers,

2013). The purpose of interpretivist research is to create new, richer understanding and interpretation of social worlds and contexts (Saunders, 2015).

**Critical realism**, is a compromise position between positivism and construction, but takes more priority over positivism (Easterby-Smith, 2015). In other words, it is built on the basis of realism with the firm belief that social reality is actually observable and measurable. However, critical realism incorporates some views of interpretivism, and it believes that the actions of individuals shape social life and have an external impact on them (Ackroyd & Fleetwood, 2000). Critical realists believe that reality outside the world is independent of human construction, but the underlying actual causes and mechanisms which need to be understood by people should be figured out through the mental process of researchers (King&Brooks, 2016). Many underlying mechanisms might not manifest in the interests of ordinary people, hence the awareness of the underlying causes will help to emancipate them from their effects (Easterby-Smith, 2015). Critical realism usually focuses on explaining the underlying structures of an observable event by working through underlying causality (Saunders, 2015).

Based on the nature of the research objectives (see Table1-1), this research can be considered as an explanatory research which mainly focuses on exploring the managerial behaviours of organisations and revealing the application of existing literature explanations in another context. It is expected to contribute to the academic discourse by enhancing existing theory or providing a sense of alternative explanations for practical issues. Given the importance of contextual factors, critical realism is chosen and considered as the most reasonable

research philosophy to underpin this research. The reasons are presented as follows. First, the critical realism position is consistent with the realist ontology and epistemology assumptions, which have been affirmed by the researcher at the beginning. Second, the nature of the research questions emphasises exploring the underlying causality inherent in the peculiar contextual structure. Critical realism allows a more tolerant space than positivism for the researcher to gain insights from contextual understanding, and it might provide possible new insights to liberate their effects. A pure positivist perspective might lead to a superficial understanding of the phenomenon without digging into the research phenomena. The management patterns are actions facilitated and created by conscious engagement of participants. In order to better reveal the in-depth cause-effect relationship embedded in the HRM activities of a CCMNE, it requires the researcher to listen, understand and correctly interpret how participants make sense of their experiences. During this process, the consciousness of participants and researchers should be involved. Third, the data collection process of this research is not supposed to be a neutral theory observation, which means it is moderated by a pre-existing stock of theoretical explanations from the literature (Fleetwood, 2005). In sum, the chosen ontology of this research is clarified as realism, as linking to the social realist epistemology. Informed by ontology and epistemology, critical realism is thus accepted by the researcher as the philosophical position. The choice of theoretical perspective further sets the tone for the application of the research approach, strategy, and techniques, that are presented in the follow section.

### **3.3 Design of research methodology**

#### **3.3.1 Research approaches: deductive approach**

The literature of research methodology has been long acknowledged to encourage the creation of a system for filling the gap in current research and the evolution of new research methods (Beissel-Durrant, 2004). Research is unlikely to successfully undertake theory development without a clear justification of the reasoning process (Hyde, 2000). Given the key construct of research methodology raised by Saunders et al. (2015), the explicit clarification of the research approaches, strategies, choice, and techniques, are also critical to the validation of a piece of research.

On the basis of the philosophic foundation, broadly, there are three research approaches which are used in the field of business and management: deductivism, inductivism and abductivism (Saunders, 2015). Deductivism and inductivism are two contrasting approaches, which are underpinned by distinctive research philosophies (Eisenhardt & Graebner, 2007). For instance, positivists are more likely to adopt a deductive research approach, while interpretivists normally adopt an inductive approach (Teddlie & Tashakkori, 2009). Abductivism is a combination of deduction and induction that aims to work out a plausible theory to uncover surprising facts and then to create a new theory or to modify an existing theory (Ketokivi & Mantere, 2010)

In essence, the distinction between these three approaches is centrally contingent upon whether a clear and fruitful theory existed in a study at the

beginning. Bradley et al., (2007) defined a theory as a set of modified propositions or generalisations that help to explain, predict and interpret phenomena of interest. As for deductive approach, the role of theory can be considered as cornerstone, and it is a 'theory-testing' reasoning process (Eisenhardt & Graebner, 2007). Data collection is implemented with the reflection of specific theories; the researcher is likely to collect more data to examine the conditions in which the theory might or might not be valid (Bulmer, 1984). In addition, the purpose of the deductive approach is to explain the causal relationship between concepts and variables, which are associated with explanatory research. The most common inference that underpins the deductive approach is when the findings are drawn logically from the premises, the truth of the premises guarantees the truth of the conclusion (Ketokivi & Mantere, 2010). To test the premises by collecting appropriate data to measure the concepts or variables is how a deductive approach is normally processed (Blaikie, 2010). Simply put, it is a process of examining if the generalisation of theory can apply to specific instances (Hyde, 2000).

Conversely, the logic of the inductive approach is a mirror of the deductive approach, which starts with collecting empirical data about under-investigated phenomena and then strives to generate concepts and themes from that data for the purpose of developing theory (Saunders, 2015; Thomas, 2006). Obviously, this is a 'theory-building' process, which is feasible to explore an under-explored phenomenon with limited pre-existing theory. Understanding the perceptions of participants about their social world, and hence embracing alternative explanations for understanding this complex, realistic world, is a strength of the

inductive approach. The purpose of the inductive approach is that it is likely to capture a holistic picture of the investigated phenomena, with particular concern for the context in which the practices happened (Ketokivi & Mantere, 2010). As for the abductive approach, it fits well for a research topic which possesses abundant information in one context but far less in another and which allows theory modification (Saunders, 2015). It is, to some extent, a combination approach of deduction and induction, which aims to work out a plausible theory by uncovering surprising facts and then to create a new theory or to modify the existing theory (Ketokivi & Mantere, 2010). However, there might be overlap and interaction between deductive and inductive approaches in social research (Blaikie, 2000) because the distinction between these two approaches is not always incontrovertible.

In regard to this study, the research aims are essentially about examining the application of the proposed IHRM conceptual template (see Figure 2-10), which is mainly drawn on the existing theoretical foundation. Considering the research objectives, a deductive approach is more suitable for examining and revising the existing theories and conceptual assumptions. The reasons are presented as follows. Firstly, the adopted theoretical perspective as critical realism might normally imply the utilisation of a deductive approach, because a deductive approach is epistemologically supported by positivism. Secondly, IHRM is a fruitful discourse having a wealth of existing concepts and assumptions. The proposed initiative conceptual template (see Figure 2-10), on the basis of abundant literature, has provided a solid foundation for applying general diverse theories into specific contexts in order to examine it. In this regard, the research

is best going through a reasonable theory-testing process rather than a theory-generating process. In the real world, some unpredictable empirical evidence of the new context, as EMNEs, might emerge. Thus, the deductive method enables the researcher to classify the underlying mechanisms of the research phenomena through pre-existing theory. The findings of the analysis may consolidate existing theories or lead to the development of new substantive assumptions (Saunders, 2005). Lastly, the choice of research approach is also affected by the time and access constraints (Saunders, 2015). Generally speaking, the deductive approach is less time-consuming and more economical for a PhD research project.

### **3.4 Research strategy: case study**

The choice of a suitable research strategy shapes the data collection and analysis process, which is informed by specific research philosophy and approaches. Below Table 3-2 illustrates the linkages between different theoretical perspectives, approaches, and the corresponding research strategies and techniques in most conditions. Considering the alignment between research objectives, adopted research philosophies and approach, a case study appears to be the suitable research strategy. A case study focuses on an in-depth study of a particular phenomenon (Hyde, 2000), and enables the collection of detailed information to facilitate this research (Yin, 2011). It is a common research method in social science since it allows theory development and enhancement from an intensive analysis of a single unit or a small number of units within its real-life context (Yin, 2011).

According to Yin's (2011) widely cited work, when one particular research fits in the following three conditions, case study would be the most applicable suitable research strategy for consideration. The first and most important condition is that case studies tend to address the 'how' and 'why' research questions.

Table 3-2 Implications of Research Theoretical Perspectives on Methodology

<b>Ontologies</b>	<b>Realism</b>	<b>Internal realism/relativism</b>	<b>Nominalism</b>
<b>Epistemology</b>	Positivism	Various 3rd Ways	Constructionism
<b>Theoretical Perspectives</b>	Positivism	Critical Realism	Interpretivist
<b>Aims</b>	Theory- testing	Theory- testing/Generation	Theory Generation/New insights
<b>Approach</b>	Deductive	Deductive/Inductive	Inductive
<b>Strategies</b>	Experiments	Case and survey	Engagement and reflexivity
<b>Data types</b>	Number and facts	Number /words and facts	Words/experiences
<b>Analysis</b>	Verification/Falsification	Correlation/ Triangulation	Sense-making
<b>Outcomes</b>	Theory confirmation	Theory confirmation or modification	New insights

Source: Adapted from Easterby-Smith (2015,p54)

Secondly, it promotes direct and in-depth observation, and regular examination of contemporary events. Also, the case study allows more flexibility compared with the experiment strategy, which requires high-control of variables. This study is dominated by addressing 'How' and 'Why' questions. In particular, the main research objectives are to investigate how CCMNEs manage their global workforce and why they adopt certain forms of HRM patterns when they operate in developing countries. This is a contemporary phenomenon interacting with



several influential factors. Case study is suitable to reach an in-depth understanding of the interplay between a phenomena and its context (Dubois & Gadde, 2002). Also, case study is widely adopted by the similar researches which is relevant to HRM in MNEs (Cooke,Wood.,2019). Many previous profound researches (Dul & Hak, 2007; Gibbert, Ruigrok, & Wicki, 2008; Meyer, 2001; Vissak, 2010) advocated that case study is the ideal technique for examining the same type of topic, and can lead to high quality findings.

Case study sometimes appears to be a synonym for qualitative research (Ritchie & Lewis, 2003). Qualitative and quantitative are the two most common research paradigms. Broadly, numerical data is quantitative data, and non-numerical data is qualitative data. According to Kvale (1996,p67), qualitative refers to “what kind, to the essential character of something”; quantitative refers to “how much, how large, the amount of something.” In this research, the qualitative research paradigm is well suited since the objective of this research is to provide holistic discovery, analysis and clarification of a new context with emphasis on discovering interactions between concepts and behaviours (Patton, 2005). The key strength of the qualitative paradigm is it allows the researcher to explore unanticipated issues when they emerge out of rich data (Azungah, 2018).

Although the case study is a distinctive form of empirical inquiry, case studies are mostly adopted for the purpose of elucidating a broader population by studying a single or small number of samples (Seawright & Gerring, 2008). Many strong positivist researchers argue that context-specific data from a case study can hardly be generalised to a population. This is one of the most commonly

mentioned criticisms regarding the validity of case studies (e.g., Bertaux & Thompson, 2017; Creswell & Creswell, 2017; Verschuren, 2003; Yin, 2014). Case studies frequently result in theoretical propositions or conceptual frameworks that must be tested further. A single case is eligible to offer a theoretical explanation of a general phenomenon with sufficient depth and insight (Eisenhardt, 1989), since managerial knowledge is essentially contextual-bound (Cook & Brown, 1999). Therefore, a case study is able to provide reliable information when the case is well selected (Denzin & Lincoln, 2011). The more representative the chosen case, the higher the generalizability of the findings (Denzin & Lincoln, 2000). According to the literature, “what I find true about the people in this study may be true of any person put in this situation” (Kidder & Judd, 1986). When the current theory posits a particular causal process, a case study may conduct a pattern-matching investigation to determine if specific causal statements are supported or refuted.

Taking the essence of the research questions, the representative degree of the case, and the pragmatic issues (i.e. time, money and access) into account, a single embedded case study is conducted by this research. As depicted in Table 3-3, the selective case is a large-scale state-owned Chinese multinational construction enterprise, that has four overseas subsidiaries located in different developing countries. The case company is well-known for its long operational history, large number of employees, significant revenue, and high reputation in the industry. Quoting from its official website,

*“The company is a 100-billion-dollar enterprise with businesses covering building construction, installation, real estate, construction*

*machinery manufacturing and leasing, building materials sales, infrastructure investment, international business and mining. It has 30 subsidiaries and provides more than 250,000 jobs. In 2020, the company implemented a strategic restructuring with one Fortune 500 company, to form a mixed-ownership enterprise with a three-tier shareholding structure of state-owned capital, private capital and employees. The company persists in a high-quality development path and keeps more than 10% growth of total revenues, total profit, and contract amount within eight continuous fiscal years, aiming to be among the Fortune 500 by 2023.”*

The SASAC report recognised this case company as a ‘flagship’ organisation, which has successfully completed multiple significant, large-scale international construction projects in many host countries. Most of the international projects have won national quality awards and high praise from owners at home and abroad.

Table 3-3 The Profile of Case CCMNE

Ownership	State-Owned
Foundation year	1955
HQ location	P.R., China
Industry type	Construction & Service
Number of employees	29000
Number of overseas subsidiary/Location	4 (Thailand, Vietnam, Indonesia, Ethiopian)
2018 Annual Revenue	1130.16 billion RMB

*Source: Company’s Official Homepage*

This research aims to investigate the deployment and implementation of IHRM

practices in overseas subsidiaries and the affiliate projects of case CCMNE. The workforce characteristics of a project-based construction company are fragmented, transient and heterogeneous, which is organised to deliver different construction projects within specific time frames (Wilkinson et al., 2012). As a result, though only one state-owned CCMNE is studied as a whole, the geographical bases of its headquarters and four overseas subsidiaries, which have the characteristics of four separate institutional and cultural contexts, necessitate a narrowing of the research focus. Owing to the time and access constraints, the headquarters in China and the Thailand subsidiary were selected as two key units for qualitative data collection. As the most successful overseas unit, having an important strategic role, the Thailand subsidiary, which is responsible for a few big-scale projects, qualifies to be the primary resource of data collection. Because construction projects are time-sensitive, conducting a 'longitudinal' study is not feasible. The 'cross-sectional' case study research strategy is more appropriate. 'Cross-sectional' refers to research that is completed at a specific time frame with a certain sample of participants.

To sum up, the headquarters in China, the overseas subsidiary of Thailand and its key international construction project serve as the central case units for providing the primary data of this case study. Additional data is gathered and added from other sources, such as the Ethiopian subsidiary, the Vietnam company, and other companies.

### **3.5 Research methods: semi-structured interview, direct observation and documentation**

When employing the case study strategy, it is well recognised that triangulation can serve as a distinctive approach to validate the findings (Denscombe, 1998) by proposing different explanations for the research unit or enhancing the comprehensiveness of understandings (Flick, 2018). Triangulation is the idea of using more than one research method and technique to gather data for one study (Myers, 2013). It allows researchers to explore the research aims and objectives from different angles. For instance, the combination of different research methods can ground the knowledge obtained by qualitative methods (Flick, 2018). Denzin (2017) summarised four forms of triangulation: data triangulation, investigator triangulation, theory triangulation and methodological triangulation. In this case, the researcher attempts to conduct triangulation by combining three forms of qualitative data sources: interviews, observation and secondary sources. Studies that involve multiple data from multiple dimensions may yield a more rigorous analysis.

Semi-structured interviews and observation are the applicable instruments for collecting primary data. Primary data is valuable since it was acquired by the researcher and has the potential to add to the knowledge base. The organisational documents and the theoretical constructs of key variables from the literature are considered as secondary data, collected by other researchers, aiming to support the validity of the primary data. Interviews are one main data collection method of qualitative research, particularly for case studies (Yin, 2014). In a real-life relevant topic, practitioners often have fruitful implicit knowledge about their practices which can be made explicit via interviews. The aim of qualitative

interviews is to “collect information that captures the meaning and interpretation of phenomena in relation to the interviewee’s interpretation”(Flick,2008,p206), which seeks to cover both a factual and a meaning level (Kvale & Brinkmann, 2009).

In this case study, semi-structured interviews are primarily employed by the researcher. Semi-structured interviews have been largely advocated by previous researchers as a better method for a research topic seeking to understand managerial procedures (Dearnley, 2005). For a semi-structured interview, the interviewer may plan a list of themes and possible questions beforehand (Kvale, 1996). In addition, open-ended questions provide more space for respondents to share additional details of interest (Cohen & Crabtree, 2006). Yin (2014) stated that, in a typical case study interview, it is important to pay attention to both main research questions and additional inquires based on preceding discussions. Thus, semi-structured interviews are an effective data collection method for case studies, which enables researchers to gather key data for analysing the casual-effect relationship and recognising the underlying instances.

However, it is worth noticing that the primary data collected from a semi-structured interview might not be purely objective, because it consists of meaningful interpretations which heavily interact with human factors. Kvale (1996) argued that the objective and reliability of findings produced from interview data can be strengthened by systematically cross-checking and verifying, as well as ensuring the replicable logic of interview data collection and analysis. An interview guide indicates the interview themes and their sequence during the

interview (Kvale & Brinkmann, 2009). Keeping those in mind, a pre-prepared interview protocol which comprises the key research questions, the corresponding construct of key research themes and the associated well-defined interview questions that goes along with each theme, are necessary to be clarified beforehand.

Table 3-4 below illustrates the close linkage between research questions, the main construct of key variables, and the associated crafted semi-structured interview questions. The main constructs of key variables are mostly developed based on the literature review. Given the support of robust theoretical foundations, the research construct not only enhances the relevance and validity of the interview questions, but also enables successful cross-checking of theory and empirical evidence. For reasons of space, the interview questions will be given in detail in Appendix One.

Table 3-4 Summary of Interview Questions

Research Questions	Construct of Key Variables	Associated Interview Questions (see Appendix One for all questions)
<p><b><i>RQ1: What are the similarities and differences between CCMNEs subsidiaries and the headquarters pertaining to the deployment and implementation of key HRPs (e.g. recruitment and selection, training and development and compensation)?</i></b></p>	<p>Table 2-1: Main Research Focus of IHRPs in the Overseas Subsidiaries of MNEs (Dowling, 1999; Briscoe, Tarique, &amp; Schuler, 2012; Cooke, 2013)</p>	<p><b>Interview Questions 1-14</b></p> <ul style="list-style-type: none"> <li>• Would you please specify to me how Thailand subsidiaries normally recruit and appoint the line-managers? How about the key technicians and engineers? How does your company build the manual-worker team for a project?</li> <li>• What are the recruitment methods normally utilized at the subsidiary to attract potential candidates? Are the approaches similar to headquarters or other Thai companies? Why different?</li> </ul> <p style="text-align: right;">(to be continued)</p>

Research Questions	Construct of Key Variables	Associated Interview Questions (see Appendix One for all questions)
<p><b><i>RQ2: How do the national factors as government influence, legislative intervention and culture affect the deployment and implementation of key HRPs in overseas operations of CCMNE?</i></b></p>	<ul style="list-style-type: none"> <li>➤ Figure 2-4: Government Influences Towards Operations of Chinese MNEs</li> <li>➤ Hofstede National Culture Index (Hofstede, 2005; Sparrow &amp; Hiltrop, 1997)</li> </ul>	<p><b>Interview Questions 15-38</b></p> <ul style="list-style-type: none"> <li>• Would you please specify to me how the company accelerated its internationalisation process after 2013 (BRI)? What's the significant support from the Chinese government?</li> <li>• Why did you choose Thailand and Ethiopia as the location of overseas subsidiaries? Do overseas projects receive any support or encounter any barriers from the local government?</li> <li>• What do you think are the main cultural differences between Chinese culture and local culture? Please specify.</li> <li>• Why do you choose to work here instead of working for other local construction firms? What are your biggest challenges working for this company?</li> </ul> <p>(to be continued)</p>
<p><b><i>RQ:3 How do industry factors affect the deployment and implementation of key HRPs in overseas operations of CCMNE?</i></b></p>	<ul style="list-style-type: none"> <li>➤ Table 2-3: Industry Features and HR Correlates</li> </ul>	<p><b>Interview Questions 39-43</b></p> <ul style="list-style-type: none"> <li>• What do you think is the current human resource-related dilemma(s) facing the Chinese construction industry? How do those dilemmas constrain the international process of Chinese contractors?</li> <li>• What do you think the most competitive advantage of your company in the host market?</li> </ul> <p>(to be continued)</p>



Research Questions	Construct of Key Variables	Associated Interview Questions (see Appendix One for all questions)
<p><b><i>RQ4: How do organisational factors as competitive strategy, headquarter international orientations and international life cycle of organisation affect the deployment and implementation of key HRPs in overseas operations of CCMNE?</i></b></p>	<ul style="list-style-type: none"> <li>➤ Table 2-4: Competitive Strategies and Desired Employee Profiles (Schuler &amp; Jackson, 1987)</li> <li>➤ Table 2-5 Main Characteristics in EPRG Model (Dowling, 1999)</li> <li>➤ Figure 2-8: Linkage between Stages of Internationalisation of CMNEs and IHRM Applications (Milliman et al., 1991; Teagarden &amp; Cai, 2009)</li> </ul>	<p><b>Interview Questions 44-54</b></p> <ul style="list-style-type: none"> <li>• What is the strategic positioning of subsidiaries in the near future? Is the same strategy employed currently? If not, why does the change occur?</li> <li>• How much autonomy does the subsidiary have to decide how and who to recruit? How much autonomy does the subsidiary have to decide and operate training programs and a compensation system?</li> <li>• What have been the main changes in the human resource model since the establishment of the subsidiary? Please specify</li> </ul> <p style="text-align: center;">(to be continued)</p>
<p><b><i>RQ5: How do the implemented IHRM approach of CCMNE contribute to the attainment of CCMNE's strategic international goals?</i></b></p>	<ul style="list-style-type: none"> <li>➤ Figure 2-9: Linkage between Global Strategies Objectives of CMNEs and IHRM Applications</li> </ul>	<p><b>Interview Questions 55-64</b></p> <ul style="list-style-type: none"> <li>• How often does headquarters send experts, commuters or inspection teams to projects for progress supervision?</li> <li>• Do subsidiaries and headquarters share the same Email list, intranet and talent pool database?</li> <li>• Do line-managers and employees have regular training opportunities with other overseas units and headquarters?</li> </ul>

Source: Developed by the present researcher

Direct observation is another popular data collection method used to study phenomena in naturally occurring settings and to add considerable richness to research data. It is advocated as a particularly useful method for investigating the 'process' of the phenomenon (Ritchie & Lewis, 2003). In this research, observation is centrally employed as another source of evidence for enriching

and triangulating data. Observation can happen at every stage of field work, with focus on both human activities, human gestures or the setting in which such activities occur (Denzin & Lincoln, 2000). Given the fact that human resources practices are delivered by human beings, it is necessary to capture the non-verbal communications and behavioural consequences of HR practices on some occasions. Further, participants can withhold critical information on sensitive questions because China has a high context culture. Under this situation, observation can work as an effective approach for understanding underlying meanings that manifest in individual actions (Denzin & Lincoln, 2000; Mightbury-Lewis, 2002). It might add new dimensions for understanding either the context or the phenomenon being studied (Yin, 2014). The high level of immersion achieved by the researcher in the research setting is a key strength of using observation, especially when comparing with other data collection techniques (Saunders, 2015).

Direct observation can be undertaken in formal and informal ways. The formal way involves taking observations of meetings, factory work, activities and the like. The informal way might be undertaken on any occasion through field work, such as to observe the employee canteen or employee behaviours. It is a way to render the analysis of non-verbal or non-textual truths. According to the conventional view, an observation process can be classified into three types of strategy: descriptive observation, focused observation and selective observation (Denzin & Lincoln, 2000). Descriptive observation entails observing every conceivable aspect of the situation, which implies no focused assumptions are carried out by a researcher in the field setting, whereas a focused observation strategy would

be employed by researchers when they are familiar with the research setting, and are able to figure out relevant elements from irrelevant ones. When it comes to selective observation, a researcher would place more emphasis on the most important elements. Due to the time and accessibility constraints, focused observation and selective observation are adopted as the main strategies within the data collection process of this research. The written observation note is adopted for data analysis.

Secondary data includes both raw data and published summaries, which are employed principally in both descriptive and explanatory research (Saunders, 2015). In this research, organisational documents, including internal reports, audio-recordings, media reports, and official homepages, are adopted as the main sources of secondary data (depicted in Table 3-5). For the case study, the documents play an explicit role in corroborating and augmenting evidence from other sources (Yin, 2011). In this research, it is critical to use secondary data for data triangulation and to cross-check collected primary data. The case subject is one organisation, which implies that empirical evidence from individual interpretations might not be reliable enough without the sound support from the organisation's policy records and documentable outcomes (Yin, 2014). Documentary sources, including e-mail messages, memo documents, meeting transcripts, shareholder reports and committee minutes, administrative and public records, journals, and magazines, are prominent in providing key information when situations or events cannot be observed or interviewed directly (Hammersley & Atkinson, 2007). Visual data like photos and video-recordings are utilised by researchers as well (Lee, 2012). Secondary documentary data permits

researchers to reanalyse data beyond time and space (Lee, 2012), thereby allowing a new angle on existing data to emerge (Ritchie & Lewis, 2003). Specific to this research, the researcher is not able to physically visit case sites that are located in Ethiopia due to time and economic constraints. Regardless of digital interviews, the managerial secondary data of day-to-to-day operations plays a vital role for researchers in obtaining a detailed and superior understanding of the facts.

Additionally, the statements and information from existing empirical literature serve as an essential secondary resource for better understanding the accurate reality of researchers' own materials, and assisting to make comparison with the researcher's own data. The literature might offer higher-quality secondary data since it can be evaluated prior to use (Stewart & Kamins, 1993). As mentioned before, literature helps researchers formulate the research questions and the questions for early interviews and observation (Strauss & Corbin, 1998). By this means, the researcher is able to confirm the ambiguity of secondary data and fully capture the interactions simultaneously. Also, survey data from large, well-known organisations is likely to be reliable due to the continued existence of such organisations and the credibility of their data (Saunders, 2015). Hence, the survey data from a reliable data collection company is also accepted when it is necessary. However, there are some critics regarding the authenticity and validity of secondary data. For example, most documentary sources such as homepage websites, administrative and public records, transcripts of interviews or meetings are usually viewed as reflections of the writers' opinions, but not authoritative records of the facts. Against this critique, elimination of this restriction can be

achieved by data triangulation. Additional knowledge of the field in which the secondary data was produced would assist researchers to clearly identify the research scope and avoid bias.

Table 3-5 Summary of Secondary Data Sources

<b>Source of secondary data</b>		<b>Description</b>
<b>Homepage of Organisation</b>	<b>of</b>	Introduction to the organisation; up-to-date news of the organisation
<b>On-line reports /news</b>		National magazines, government website, public speeches records
<b>Project documentary videos conducted by television stations</b>		Feature stories reported by Provincial TV; news on National TV
<b>Managerial documents of case company</b>		Annual report, internal magazines, HR policy manual
<b>Statistical reports from government agent</b>		MOFCOM; SASAC

*Source: developed by the present researcher*

### 3.6 Data collection

The previous section affirmed the utilisation of key research methods such as semi-structured interviews, direct observation and documentation for collecting the in-depth qualitative data from both headquarters and the overseas operations of one representative big-scale state-owned CCMNE. On the basis of the research objectives and questions, as depicted in Table 3-4, the primary research regarding investigating the similarities and differences between home and host regarding key IHRPs (i.e. recruitment and selection; training and development, compensation) were undertaken first. To examine whether and to what extent

certain external and internal influential factors affect the deployment and implementation of key IHRPs at both headquarters and overseas operations was prioritised during the data collection process. The linkage between international business goals and the SIHRM approaches was initially clarified based on the empirical evidence.

Summarised in Table 3-6, a total of 61 participants from four different organisations, which possess varied ownership, were interviewed by the researcher. Further, instead of taking a predominantly expatriate-centred view to investigate the perception of PCNs about the linkage between influential factors and IHRM deployment at the overseas subsidiary of CCMNE, the researcher also embraced the local employees' views, voices and perceptions of expatriate–local employee interactions. Among the 61 participants, 14 participants were non-Chinese workers, representing about 22 % of the total participants. The face-to-face semi-structured interviews were with employees varying from among top managers, HR managers, line managers and general staff from both headquarters in China and the overseas operations (i.e. overseas subsidiaries and key international projects) located in Thailand, representing the main body of the collected qualitative data. Each interview generally lasted from 30 minutes to 1 hour. Interpreters were around when interviewing the non-Chinese participants. Interviews were recorded with the consent of the interviewees and the researcher took notes as transcripts at the same time.

Cooke (2009) pointed out that most HRM studies in China have relied on managers as the sole source for empirical data collected, which eliminates the

authenticity of collected data. Khilji and Wang (2006) argued that human resource practices could not simply be found from respondents such as managers, but also include general employees because management knowledge and intentions of human resource practices might differ from what prevails in practice. Therefore, the varying levels of management hierarchy (see Table 3-7), which constitute 15 general staff with diverse nationalities, enhances the integrity and value of the examples by offering a more balanced multi-stakeholder perspective. Moreover, driven by some specific research questions, the researcher also collected data from other organisations and took them as vital supplementary resources. For example, several semi-structured interviews were conducted with top managers and HR managers from three other leading CCMNEs (Coded as Company A, Company B and Company C), and Company C is a privately-owned company. The number of diverse samples strengthens the validity and reliability of the entire dataset. Apart from the direct interview, the archival documents maintained by the HR manager and the close observation notes taken by researchers fulfilled the requirements.

In short, the comprehensive profile of interview participants is described in Table 3-6 according to their location, hierarchical positions and nationality.

Table 3-6: The Profile of Interview Participants

Organisation	Location	Top Manager	HR Manager	Line Manager	General Staff	Total Number of Non-Chinese Participants	Total Number of Participants
Headquarters of Case Company	<b>China</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>11</b>
Thailand Overseas Operations of Case Company	<b>Bangkok</b>	<b>3</b>	<b>3</b>	<b>14</b>	<b>11</b>	<b>13</b>	<b>31</b>
Ethiopian Overseas Operations of Case Company	<b>Addis Ababa</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>4</b>	<b>0</b>	<b>9</b>
Vietnam Overseas Subsidiary of Case Company	<b>Ho Chi Minh City</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>4</b>
Leading Company A (State-Owned)	<b>Sri Lanka</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>
Leading Company B (State-Owned)	<b>China</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
Leading Company C (Private-Owned)	<b>China</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>
<b>TOTAL PARTICIPANTS</b>	<b>China</b>	<b>12</b>	<b>10</b>	<b>24</b>	<b>15</b>	<b>14</b>	<b>61</b>

Source : Researcher's work based on data collection



In order to better understand the complexity of workforce categories in the overseas operations of CCMNE, this research explicitly categorises four groups of internal workforces in overseas operations of the case company given the employees' nationalities and management hierarchy (see Table 3-7). A typical workforce of a construction project department encompasses project managers, engineers, technicians, and site workers (Shahhosseini & Sebt, 2011). Under the 'EPC' mode (Engineering, Procurement and Construction) contract, the management crew, such as the project managers, line-managers, engineers and general technicians have a direct and long-term employment contract, and are set to manage engineering, procurement, constructing, project process, quality, safety and other key factors for completion of the project. The others are mainly responsible for the implementation of actual construction.

The vast variations between management crew and site workers in regards to skill requirements, employment standards and management approach are salient in CCMNEs. In some cases, CCMNEs might outsource their labour management practices to the employment agencies for recruiting, training, and compensating the site workers when going abroad (Cooke et al., 2018a). Some big-scale state-owned CCMNEs build their own employment agencies (Cooke et al., 2018a). Combining the literature definition and realistic field circumstances, Table 3-7 broadly separates the employees in the overseas operations of CCMNE into two groups. The management team involves the project managers, line managers, engineers, and general technicians under a direct and long-term employment contract with the case company; and the site workers indicate the technicians and site workers who are either under short-term casual employment contracts

with the case company or sent out by employment agencies.

Table 3-7 Workforce Categories of Overseas Operations of the Case Company

	<b>Parent-Country Nationals (PCNs)</b>	<b>Host-Country Nationals (HCNs)</b>
<b>Management Crew</b>	Chinese Expatriate	Host Manager
<b>Site Workers</b>	Dispatched Workers	Host Workers

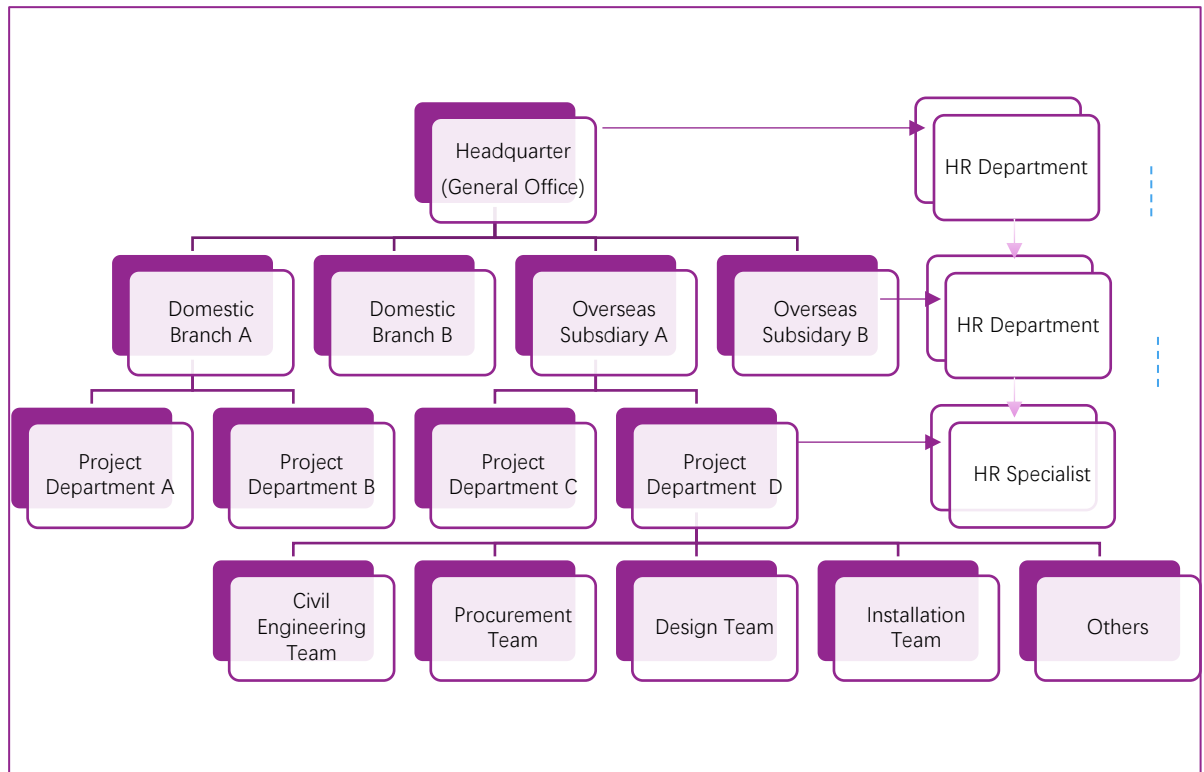
*Source: present researcher*

Due to the distinctive organisational structure of a project-based construction company, the organisational structure of cases should be defined for better understanding the collected IHRM relevance data. Organisational structure is a formal system of organisation that ensures the effective reporting, communicating, and coordinating between employees across the organisation (Moorehead & Griffin, 2010). Project departments are the primary manufacturing units of a project-based organisation. The majority of large construction firms choose a matrix structure due to the versatility and temporary existence of the project department (Loosemore et al., 2003). Drawn from the internal archival records, a three-level management system is implemented for control of each international project (see Figure 3-1). One international project interacts with the headquarters, overseas subsidiary and project department. But each subsidiary possesses a self-contained functional hierarchy and mostly manages its resources independently. In other words, the subsidiary generally possesses reasonable operational and resource allocation authority; thereby, some functional managing directors from headquarters might only act in an advisory and coordinator role, particularly in the HR department.

The intensive interaction between top managers, HR managers, line managers, and project workers (Mullins, 2007) and the devolution of HRM to the project department appear to be two salient features of project-based companies (Loosemore et al., 2003). In other words, the project managers or HR specialists in the project department are empowered to handle the day-to-day personnel matters within this group. The HRM managers might only act in an advisory capacity to the line management. Line managers are responsible for forming connections between strategic management and the operational production function at the project level. Under this devolution of responsibilities situation, the capability and mind-set of the project management crew (i.e. project managers and line managers) might influence the strategic efficacy and implementation of HRM strategies (Loosemore et al., 2003).

Therefore, project managers and line managers in the construction industry seem to take a greater responsibility than in other industries. Moreover, the reasonable authority in HRM for each department might shape the implemented IHRPs in the overseas subsidiary and international projects. For example, a dynamic and relatively short-term oriented IHRM approach might dominate in the overseas subsidiaries of a construction company due to moderating factors such as different project management styles and flexible project duration (Loosemore et al., 2003).

Figure 3-1 Organisational Structure of Case Company



*Source: developed by the present researcher based on archival record.*

### 3.7 The method of data analysis

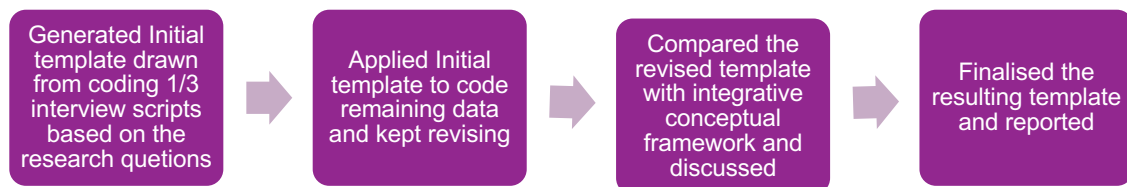
Driven by the research questions, a deductive analytical approach has been adopted and thus leads to a 'theory-driven' coding process. Researcher employed template analysis, as one common and effective analysis method for thematically analysing qualitative data by applying the theme template and matching pattern (Minnaar, 2013). Template analysis underscores the utilisation of themes, codes and ultimately the development of coding templates. It logically catalogues the unstructured data with prior identified themes (Waring & Wainwright, 2008). Themes refer to relevant factors or characteristics discovered by researchers from data collection. Codes are the labels attached to index specific research topics. After identifying and cross-checking the themes, the

comprehensive template is refined and developed (King & Brooks, 2016). The key feature of this technique is that it allows the researcher to start with certain pre-existing themes derived from literature, which can be further adjusted or extended by comparing with collected data. But probing questions are also allowed for interviewers to follow up on previous responses of interviewee. The template analysis can therefore lead to a circular process, allowing researchers to make a reflective comparison between the theoretical framework and empirical findings (Waring & Wainwright, 2008). The flexibility of this analytic approach is more suitable for research in which the contextual interpretation of participants needs to be fully valued (King&Brooks, 2016).

According to the template analysis instruction, the analytic process is an iterative approach between the prior themes and the textual scripts data interpretation. The template is constantly revised during the analysis process until the 'final' template is developed and reported. Specific in this research, the researcher transcribed all interviews into interview scripts and translated them into English when some of them were conducted in another language. The software Nvivo was utilised to implement the coding work. This research firstly extracted 1/3 interview scripts randomly from each analysis account, including 4 from the headquarter account, 11 from the Thailand subsidiary account, 4 from the Ethiopian subsidiary account and 1 from the Vietnamese subsidiary account. Then it coded based on preliminary themes derived from the initial conceptual template one (see Figure 2-10). This initial coding process led to the generation of an initial template, which has a relatively narrow scope and structured themes clustered in a hierarchy. This initial template was applied to code the remaining

data again, and the template was continuously modified. During this process, closely linked to the research questions, the irrelevant factors were deleted and emerging themes were added; the scope of each theme cluster was reclassified. Ultimately, the final template was developed based on the collected data and reported as one key research finding after comparing with the initial integrative conceptual framework. The finalised template should contribute to the literature by affirming, developing or modifying the existing conceptual framework with support of contextual empirical evidence. But it is worth mentioning that the final template is contextual-bound and no way being exhaustive. It can still be improved if any relevant transcripts or texts remain ambiguous. The basic process of template analysis of this thesis is shown in Figure 3-2 below.

Figure 3-2 The Process of Template Analysis of this Research



*Source: developed by the present researcher*

### **3.8 Research ethics consideration**

Research ethics are the key issues which should be fully considered by the researcher when planning and conducting research. Research ethics serve as moral principles to guide researchers, particularly when undertaking qualitative research. Hence, it is worth explicitly illustrating the research ethical considerations for this Ph.D research from generating research questions and

interview questions, determining the behaviours during data collection, data storage, as well as during data analysis. The whole data collection process and storage are in accordance with guidelines established by the University of Manchester's Ethics Committee. When the research questions and the corresponding interview questions were drawn up, the general social ethics and specific culture specialisations in certain research contexts were fully considered, and discussed with the supervisor. When preparing the qualitative data collecting, there are a few ethical considerations highlighted by Flick (2018), including the concern regarding the dignity and rights of the interviewee during data collection. The dignity and rights of the participants are particularly associated with the research consent. Murphy and Dingwall (2001,p339) suggested that the 'ethical theory' for researchers calls for the researcher to prevent bad activities by participants, to respect the beliefs of research participants, and to treat all participants equally. The participants need to be thoroughly informed that their participation is completely voluntary. A given consent form should contain adequate information, including about the use of video/audio-recordings, and the future application of collected data.

In this research, a formal consent form with detailed information was therefore translated into the mother language of the participants, such as Chinese, Thai and English languages, and handed over to each participant to read and sign before interviews. Also, the confidentiality issues regarding the case organisation and case participants were fully considered as well. According to the request of the case company and interview participants, the identification information of companies and employees is anonymised in this thesis (i.e. names, addresses,

company name, etc). The researcher handled the details of identification information very carefully during the process of writing. No text or non-text internal information is mentioned in the thesis or released to the public without the authorisation of the case company. Currently, all interviewees' verbal answers are transcribed and digitised. The digital interview transcripts and audio records are securely stored in the P drive offered by the school and backed up in personal online storage with password setting as well. The textual interview notes and consent forms are securely stored in a combination-locked cabinet which no one has access to apart from the researcher.

### **3.9 Summary of chapter three**

Details of the methods employed for the achievement of the study objectives have been discussed and justified within this chapter. The first part focused on the discussed research philosophies and the selected methodology for achieving the research objectives. The selected in-depth qualitative research design is appropriate to fulfil the aims of this research, and it also meets the theoretical inquiries that call upon the utilisation of pragmatic research approaches (Cooke et al, 2019b). The essence of this research aims to find out the validity of taking a single embedded case study to provide in-depth data for fulfilling the research objectives. The selected large-scale CCMNE is featured as the 'flagship' organisation, which gained significant development under the promotion of 'BRI'. This was followed by a justification for the approach chosen by the researcher for the investigation of the research problem. Template analysis is chosen as the analytic approach with the help of NVivo software. The template analysis is suitable for analysing one particular context due to its flexibility and modification (King&Brooke,2016). Finally, this chapter discussed the validity and reliability of



the collected data with consideration of research ethics guidelines set by the University of Manchester.

## **CHAPTER FOUR:**

### **THE STANDARDISATION AND DIFFERENTIATION OF KEY HRPs IN OVERSEAS OPERATIONS OF THE CCMNE**

#### **4.1 Introduction**

This chapter focuses on addressing research question one which is associated with the research objective one (depicted in Figure 1-4) based on analysing the collected qualitative data from the headquarters of the case company in China and its overseas operations. Driven by research question one, this chapter attempts to investigate how the CCMNE transfers key IHRPs from the headquarters to the overseas operations. In essence, the IHRPs transfer and adaptation process manifests itself in the extent to which overseas operations replicate the indigenous IHRPs or adapt to the local specifics. As previously stated, this thesis emphasises major international HR practices such as recruitment and selection, training and development, and compensation.

Sections 4.1 and 4.2 will show the similarities and variations in implemented key HRPs between the headquarters and overseas operations of the case company. In section 4.3, a full summary will be drawn to highlight and discuss the key findings of this chapter. The findings given in this chapter are based on combining theoretical insights from the literature review in Chapter Two (see Table 3-4 for study constructs of important themes) with the contextual data gathered through the research methods outlined in Chapter Three.

**RQ1:** *What are the similarities and differences between CCMNEs subsidiaries and the headquarters pertaining to the deployment and implementation of key HRPs (e.g., recruitment and selection, training and development, and compensation)?*

#### **4.2 The similarities in implemented key international HRPs between headquarters and overseas operations of CCMNE**

As shown in Figure 4-1, research objective one necessitates an examination of what areas and to what extent the case company's key HRPs in overseas operations (i.e. overseas subsidiary and key international project) are similar to the headquarters' home-originated HRM pattern. In this thesis, the key HRPs include recruitment and selection, training and development, compensation. The first research question essentially raised concerns about whether and how the CCMNE could standardise its key HRM practices across borders. The literature has noted that one enduring challenge for MNEs is determining which HR management policies and practices should be transferred to host operations, and how those standardised HRM practices may be effectively implemented in local contexts. (Ferner et al., 2004). In fact, this strategic decision-making boils down to properly balance the company's demands as maintaining internal integration as one large organisation, while also fulfilling various local-specific conditions in geographically distributed host countries. This topic does not achieve an universal conclusion. Many experts argue that IHRM transfer and adaption in MNE overseas subsidiaries are affected by a range of external and internal factors (e.g., Schuler et al., 1993, 2002).

Alongside an analysis of the qualitative data collected in the case company's headquarters in China and mainly in overseas operations in Thailand, the following part elaborates the key findings regarding the areas and extent to which

the case company's overseas operations replicate the home-originated key HRPs. The data analysis clearly demonstrates a high degree of similarity in training and development practices. Also, there is a reasonable degree of similarity in compensation practices between headquarters and overseas operations.

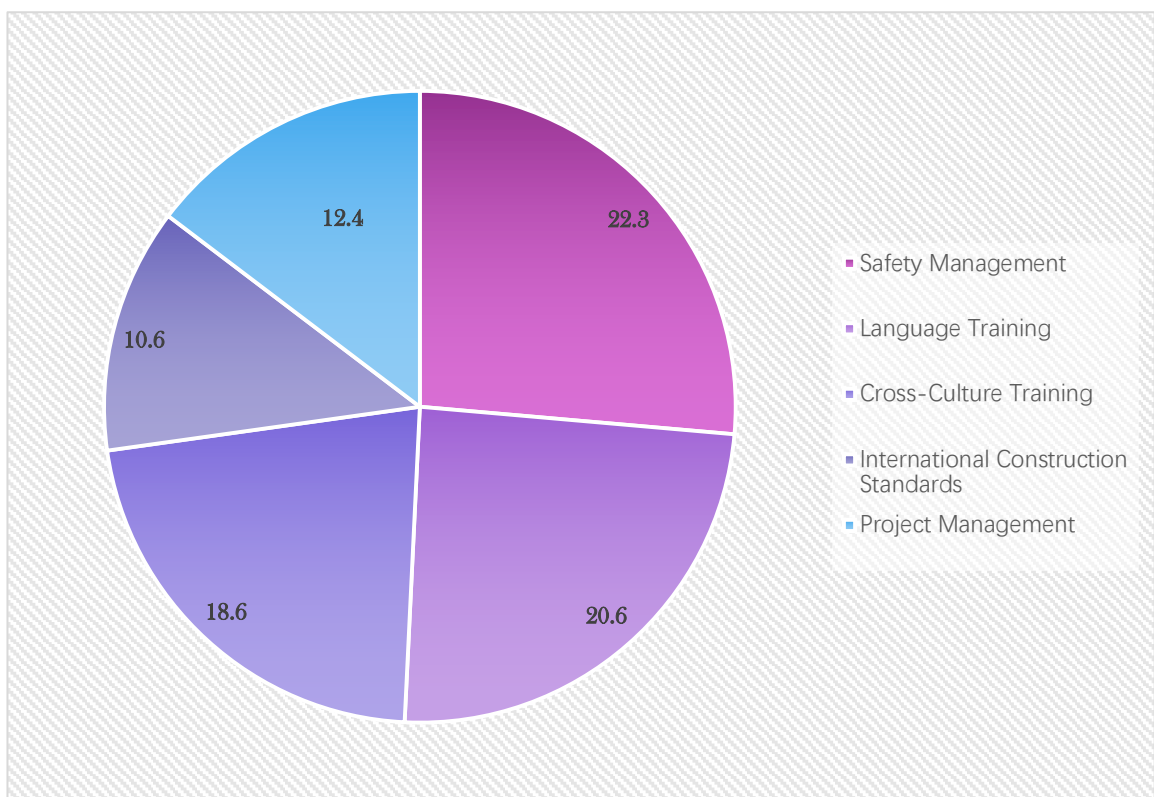
***Training & Development:*** In the area of training and development, both the headquarters and overseas operations of the case company share a basic training policy. The HR manager of headquarters introduced a globally standardised training policy which explicitly highlights the need of the organisation to provide employees with quantified and qualified training programmes for assisting employees to be competent in their roles. The underlying principles that guide the design of training programs are universal and are primarily focused on assisting project management members in meeting their five key performance indicators, namely the development of qualified skills, the capability of delivering projects on time and on budget while maintaining a high standard of quality and safety, and the capacity of maintaining positive relationships with owners. However, trainings aimed at enhancing employees' interpersonal/communication, cross-cultural capability/skills appear insufficient at the moment, but should be prioritised in the future.

*'The interpersonal and communication skills of the project staff are becoming particularly important in recent years and require training focus. For instance, the project staff needs to learn how to make clear communications with the owner and to maintain good client relationships.'*

*-Line Manager, Headquarters, China, September, 2019*

According to the case company's intratraining records from 2014 to 2016 (see Figure 4-2), training in safety construction (26 %) and language (24 %) are the two primary training courses. The training dedicated to technical skills improvement (i.e. safety management, standard acknowledgement, and project management) is slightly more than interpersonal-based training (i.e. language training and cross-cultural training).

Figure 4-1 Training Records of Case Company during 2014-2016



*Source: Developed by the present researcher based on internal record from 2014-2016 and Huang(2017)'s thesis.*

The training situation is similar in overseas operations, where training practises place a greater emphasis on developing employees' job-related skill acquisitions than on cultivating their cross-cultural management skills. The participants from the Thailand subsidiary and its key project department affirmed the above

mentioned similarity, and it cover the trainings provided to the host employees.

*'The most critical routine on the international site is the safety training and skill-upgrading workshop. We used to organise language improvement classes during the early stages of the project when we were not overburdened. However, the course was discontinued due to the increasingly intensive time schedule.'*- HR Specialist, Key Project, Thailand, September, 2019

*'The host staff receives similar training to that received at headquarters. We do encourage employees to seek outside training, such as Chinese lessons. If they do so, we may reimburse their training fee.'*-General Manager, Subsidiary, Thailand, September, 2019

For Chinese expatriates, only a briefing prior to departure was provided to familiarise them with the host country's political infrastructure, legal system, culture, and customs. After the expatriates' arrival, a limited number of cross-cultural management courses were offered and organised.

*'Almost every expatriate needs to take part in the pre-departure briefing. It is about reminding you that you represent your company and your country when you are going abroad. So, you have to keep in mind that you don't challenge the local law or custom. Additionally, you may be required to sign a confidentiality agreement if someone is in a critical position responsible for preventing the core technology from being leaked.'*-Line Manager, Subsidiary, Thailand, September, 2019

Evidently, globally standardised training and development practises may limit

international managers' ability to successfully respond to the training needs of the host market in a timely manner. The collected data demonstrates that overseas operations of the case company give low priority to develop and implement well-defined and tailored training programmes for host staff. For example, quotes from human resource managers at the subsidiary and project levels indicate that when conducting instructor-led workshops, PCNs and HCNs in overseas operations are generally trained separately by different instructors with separate content.

*'We organised the training of Chinese and host employees separately. Chinese classes are organised by Chinese expatriates; and local classes are organised by Thai managers. This, we believe, is an effective method of reducing information transmission misunderstandings. Additionally, it is a good way to save time.'* -HR Specialist, Key Project, Thailand, September, 2019

*'We heavily rely on our own technicians because they are the guarantee to meet the deadline for the project. We believe that expatriate technicians can provide additional coaching to host workers while they are on the job.'* -HR Specialist, Subsidiary, Thailand, October, 2019

According to the excerpts above, overseas operations are hindered by language barriers of expatriates and international managers' excessive focus on short-term benefits when it comes to implementing training programmes. Conducting separated training amongst expatriates and host staff might reduce plenty of formal and informal communication opportunities between these two cohorts. Generally, training practises serve as an effective tool for strengthening organisational networking by allowing employees to communicate face to face

(Gupta & Govindarajan, 2000). Expatriates may encounter difficulties in sharing the headquarters' core values and beliefs with overseas operations via the internal network (Harzing, 2001), all of which have an effect on the development of an integrated organisational culture. The following selected comment reflects the majority of host participants' views on the case company's current training methods:

*'I hope the company can provide us with additional training opportunities, such as sending us to attend training or conferences at headquarters, as other leading local MNEs do. We expect managers to pay more attention to us than simply assigning us to work.'* -Host Staff, Thailand Subsidiary, Thailand, September, 2019.

Additionally, three host managers believe that the weekly quality control meetings are the only opportunity for host managers to acquire core knowledge from Chinese specialists and thereby strengthen their practical competence.

*'We would discuss a variety of up-to-date practical or technical issues through the meeting. I usually receive advice from others. I take the meeting as an important learning opportunity.'* -Line Manager, Key Project, Thailand, September, 2019

Additionally, some tacit training in the host market is overlooked. In the Thailand operation, the case company appears to have overlooked the mandatory induction orientation for new employees, which is highly suggested by relevant host regulations and performed by the majority of local businesses. This orientation is intended to familiarise new employees with their specific tasks (work hours, etc. ), coworkers, and organisational culture. However, to the confusion of



some host participants, it does not appear to be a company-wide tradition in the overseas operation of case company.

*'I'm not quite sure what my job scope is, you know, in a typical Thai company. The specific work scope, responsibility, and authority of the position should be explicitly clarified to new employees on day one of on-boarding. But I still haven't received any job orientation until now.'*-Host Staff, Subsidiary, Thailand, September, 2019

*'The employer should specify the rules and policy at the workplace, as well as the job responsibility and authority of the employee, like work hours etc. It is supposed to be posted on the bulletin board and hung in the pantry of the company.'*-Host HR Manager, Subsidiary, Thailand, September, 2019

Intriguingly, induction orientation is not a novel training programme at the headquarters, where it is a standard procedure to provide new employees with weeks of entry orientation, which covers everything from induction to the workplace to job-related skill enhancement. When expatriate managers were asked why the overseas operation in Thailand failed to conduct similar orientation training, they frequently cited cultural differences rooted in parent-national expatriate managers and host employees. The characteristic of diverse work values and work efficiency exemplified by PCNs and HCNs may be new themes explaining why Chinese managers frequently overlook local training needs. It is possible that the expatriate believes that the relatively low work productivity of local employees will deteriorate further if the scope and content of the workload are explicitly defined, which contradicts the time-sensitive nature of construction project production. The following excerpts provide some insights:

*'The work efficiency of host employees hardly measures up with their Chinese counterparts. You have to push them constantly, otherwise they might take everything slowly. Occasionally, I see a few of them congregate and sit aside to smoke, despite the fact that they haven't completed today's work.'* - Technical Manager, Subsidiary, Thailand, September, 2019

*'They will not pick up the phone or respond to you after work, even if the case is an emergency. This is extremely uncommon for Chinese employees. They (host staff) hate to do anything more than what is stipulated in their role. But the truth is, in such a time-sensitive production, it is almost impossible to explicitly clarify work load and scope since everyone's goal is supposed to be to catch up with the schedule.'* --Line Manager, Subsidiary, Thailand, September, 2019

From the perspective of host employees, the majority of them also commented on the difference in work ethics and efficiency between expatriates and host employees. For them, the Chinese company's requirement for fast and efficient work exerts a disproportionate amount of pressure. This is because the majority of local businesses have a slower and more relaxed working environment.

*'My Chinese manager always pushes me hard and tells me to be quick. You know, people barely talk during work time and just concentrate on working. I'm sometimes under pressure.'* -Host Staff, Subsidiary, Thailand, September, 2019.

*'I previously worked for a Thai company, where the manager places a premium on job quality and rarely pushes you. Chinese people are more tense.'* -Host Staff, Subsidiary, Thailand, September,2019.

Apart from the globally standardised training policy and principles, the primary training techniques used by overseas operations are also consistent with those used at headquarters. Specifically, two training methods - job rotation system and apprenticeship - are salient in the collected data. The job rotation system refers to a mechanism of transferring employees to a variety of positions/tasks which require varied knowledge (Huang, 1999). Job rotation, as is widely recognised, should be an effective training method that enables employees to gain practical knowledge and normative details about an organisation through interaction with various departments (Paauwe & Dewe, 1994). All new employees of case company, particularly recent graduates, are required to complete a work rotation prior to being assigned to a specific role.

*'You must complete a job rotation in order to gain real-world experience on a construction site. At least, you're expected to gain a holistic picture of this sector. I used to work in the carpentry team of one project when I was in my job rotation process, and I even learnt how to assemble a boiler. Now I've ended up in the international development department.'* -Line Manager, Headquarters, China, September,2019

According to some Chinese expatriates, this training method encourages workers to think ahead and try new things by allowing them to explore multiple career paths and gain valuable experience in a variety of positions. After all, in the construction industry, practical experience gained through projects appears to be

more valued by employees seeking a long-term career in this specific field. The extracts below explicitly affirm these claims:

*'I majored in English, and I barely had any knowledge of engineering when I was expatriated to the international site in 2017. At first, I was responsible for the job as interpreter, but I decided to redirect my career path to be a construction engineer after I finished my job rotation. My mentor encouraged me to do so and gave me valuable on-site advice. I've got my professional certificate as engineer now'. -Line Manager, Key Project, Thailand, September, 2019*

*'You at least have to stand your own feet on the project site, right? Otherwise, you might have no idea about your work scope and your company. The practical reality and academic theory you learn from the book have certain gaps.' -Senior Manager, Headquarters, China, September, 2019*

Additionally, this research indicates that one underlying motivation for standardising the job rotation system across borders is attributed to CCMNE's and the entire industry's international talent shortage dilemma. International talent is a compound term that refers to an employee who possesses language skills, adequate international operations experience, and a high level of technical/job-specific and cross-cultural management skills. However, the Chinese international managers' lack of international experience and managerial competence is not a novel situation (See Cooke, 2014). The following comments show the connection between managers' desire to standardise job rotation systems across subsidiaries and their intention to develop the company's future

talent pool.

*'We have a shortage of compound talent who should be the pillars in the drive for the international expansion of the company. We want to cultivate our own managers who are experts in construction technical knowledge and foreign languages by recruiting graduates from top universities and training them on the job. A job rotation system can provide a two-way choice for both new employees and the functional division, thereby maximising talent potential. '- HR Manager, Headquarters, China, September,2019*

*'Those graduates from the top universities have proved their learning ability. I believe they will grow quickly when they jump into the real practical world with a certain language proficiency. As a result, we'd like to hire some employees with a Thai or English language background and train them by assigning the international assignments.I believe they can be the critical backbones to support the company's continued international expansion in the future.'*-Line Manager, Headquarters, China, November,2019

These findings corroborate previous arguments (e.g. Cooke, 2014; Farndale, Scullion, & Sparrow, 2010) that Chinese international managers' language and international experience deficiencies may be the significant constraints on CMNE's pursuit of a high-quality and innovative internationalisation path. In an effort to develop a qualified talent pool, company have highlighted the educational background and international experience of employees, which should have implications for the selection and career development of the majority of line

managers. The empirical evidence contributes to the existing body of knowledge by demonstrating how EMNEs address talent shortages through the application of human resource management practises in a realistic world. In the construction industry, where practical experience is valued, the global job rotation programme provides new employees with additional on-the-job international training opportunities at a lower cost and in less time.

Apprenticeship is another form of training method that is transferred from China's headquarters to international projects.

*'One Chinese mentor would be paried to one host apprentice. This is a common way for Chinese expertise to assist host workers in acquiring new skills at work. It is a direct way to quickly improve a worker's capability on site through stimulation training.'* -HR Specialist, Key Project, Thailand, September, 2019

Apprenticeship is widely regarded as a primary channel for knowledge transfer and sharing at the project level, facilitating information exchange between PCNs and HCNs. Participants frequently report a strong correlation between apprenticeship and organisational knowledge transfer/sharing when asked, "How do you evaluate the training provided by this company?" The selected extracts below reflect this correlation.

*'Construction technicians and workers can learn a lot on site. Their Chinese mentor will instruct them hand in hand and step by step.'* --Host Manager, Key Project, Thailand, September, 2019

*'It is impractical to provide comprehensive training to subcontracting workers who are employed on a temporary basis. As a result, it is more cost effective to have mentors train and supervise them concurrently on-site.'*-Host Manager, Key Project, Thailand, September,2019

Apprenticeship allows the apprentice to develop a practical skill in a short period of time without having to spend extra time attending off-site training courses. It is a pragmatic method which is well suited to the production nature of this sector as time and cost sensitive. Interestingly, another theme emerging from the data shows that the apprenticeship seems to contribute to strengthen the teamwork within a temporary project department. To some extent, the mentor-apprentice relationship helps to build mutual trust and understanding among employees, regardless of their national origin or management hierarchy.

*'My mentor is a true expert and I learned a lot from him. We are friends now, I even consider him as my career idol.'*-General Staff ,Key Project, Thailand, September,2019

*'I have followed this project manager for nearly five years. He was my mentor at the very beginning of the project. I'd like to work with him.'* -Host Staff, Key Project, Thailand, September,2019

The preceding comments indicate that developing positive relationships between mentors and apprentices should increase an employee's sense of belonging and commitment to the organisation. Thus, it may more or less compensate for the highly diversified nature of the project department due to its temporary and time-sensitive nature. Existing theoretical explanations support that access to experts (Farndale et al., 2010), and the robust nature of trust between persons can

encourage knowledge flow across borders (e.g., Björkman, Barner-Rasmussen, & Li, 2004; Tsai, 2002), particularly for the sharing of some forms of tacit knowledge (Harzing & Sorge, 2003),

In short, the case company is perceived to globally standardise its home-originated training and development practices, as evidenced by the implementation of similar training policies and methods across borders. The critical function of training practises is to enhance employees' capabilities and to ensure the organisation's continuous innovation. Global standardisation in training and development practises undoubtedly places high value on the dissemination of indigenous knowledge, managerial know-how and value via a variety of formal and informal channels. However, at this stage of the internationalisation process, it is rare to observe the reverse diffusion of new generation knowledge that incorporates local-specific knowledges. This is because overseas operations of the case company give limited attention to local employees' training needs. The researcher's attention is also drawn to the differences in work ethics between home and host nationals, which have implications for the implementation of HRPs in the construction sector. This emerging theme is further categorised into cultural factors and will be discussed in the next chapter.

Furthermore, limited discrimination against PCNs and HCNs in terms of training content and delivery of programmes at least indicates there is no automatic preference of the CCMNE to impose deliberate restrictions on knowledge transmission or to protect Chinese-specific knowledge when they go venturing in



other developing countries. This argument, based upon empirical evidence, is partly against some previous criticisms which concern the international operational behaviour of Chinese contractors who might offer limited local input (e.g., Corkin, 2012; Jackson, 2014). The empirical evidence in this study demonstrates that the deployment and implementation of training and development practises in CCMNE are more likely to be influenced by Chinese expatriates' international management competence and experience. Also, the production nature of the construction sector as a time and cost sensitive industry determines the company's intention and application of cost-effectiveness and pragmatic training practices.

***Compensation Practices:*** Numerous compensation activities in the case company's overseas operations are perceived to replicate the home-originated mode, particularly for management-level employees. It's intriguing to explore that the compensation practises implemented for project-level site workers are more flexible and adaptable to specific local conditions. In fact, the overseas operations of the case company employ a bundle of nuanced compensation practices to reward different workforces within distinct managerial hierarchy (i.e., management crew and site workers).

Compensation practices focus on rewarding individuals in exchange for the value they create for the organisation, which is supposed to be linked to its organisational objective and strategies (Armstrong & Brown, 1999). The compensation scheme of internationally mobile employees has long been acknowledged as one of the critical but challenging tasks of international HR

professionals (Perkins & Hendry, 2001). Along with adhering to employment laws, the compensation scheme should also consider the cost to the organisation and the efficiency of expatriates (Suutari & Tornikoski, 2001). Two compensation approaches to reward internationally mobile employees are widely cited in the literature as the 'balance sheet approach' and the 'going rate approach'. Specifically, the balance sheet approach emphasises that the expatriates' compensation structure should aim to maintain the same living standards of expatriates through utilisation of a variety of extrinsic and intrinsic rewards supplements (Dowling, 2008). It takes the compensation scheme of peers at headquarters as the reference (Perkins & Shortland, 2006). Conversely, the going rate approach suggests that companies should design the compensation structure of expatriates based on the host mode and take the market rate of the host country as the reference (Sims & Schraeder, 2005). Combining these robust theoretical explanations with the collected data from Thailand's overseas operations, a 'balance sheet' scheme is salient. It means that the home-originated compensation practice is used as the model for deploying the one in the overseas operations.

Combining the interview interpretations and internal documents, the components of the compensation scheme for internationally mobile employees in the case company are shown in Figure 4-3 below. Figure 4-3 compares the compensation packages of comparable colleagues in both headquarters and overseas operations. The general market-rate is included and taken as a reference. Depicted in the Figure 4-3, the globally standardised compensation scheme for managers consists of base pay (wages), variable pay (year-end bonus and

incentive), and benefits (social security insurance), which are contingent upon the local legislation mandates. In comparison with their home colleagues, one important differentiator in the aspect of the expatriates' compensation scheme is that expatriates could gain an extra overseas assignment allowance, which amounts approximately 30 % to 50 % of their base pay. The comment below illustrates that:

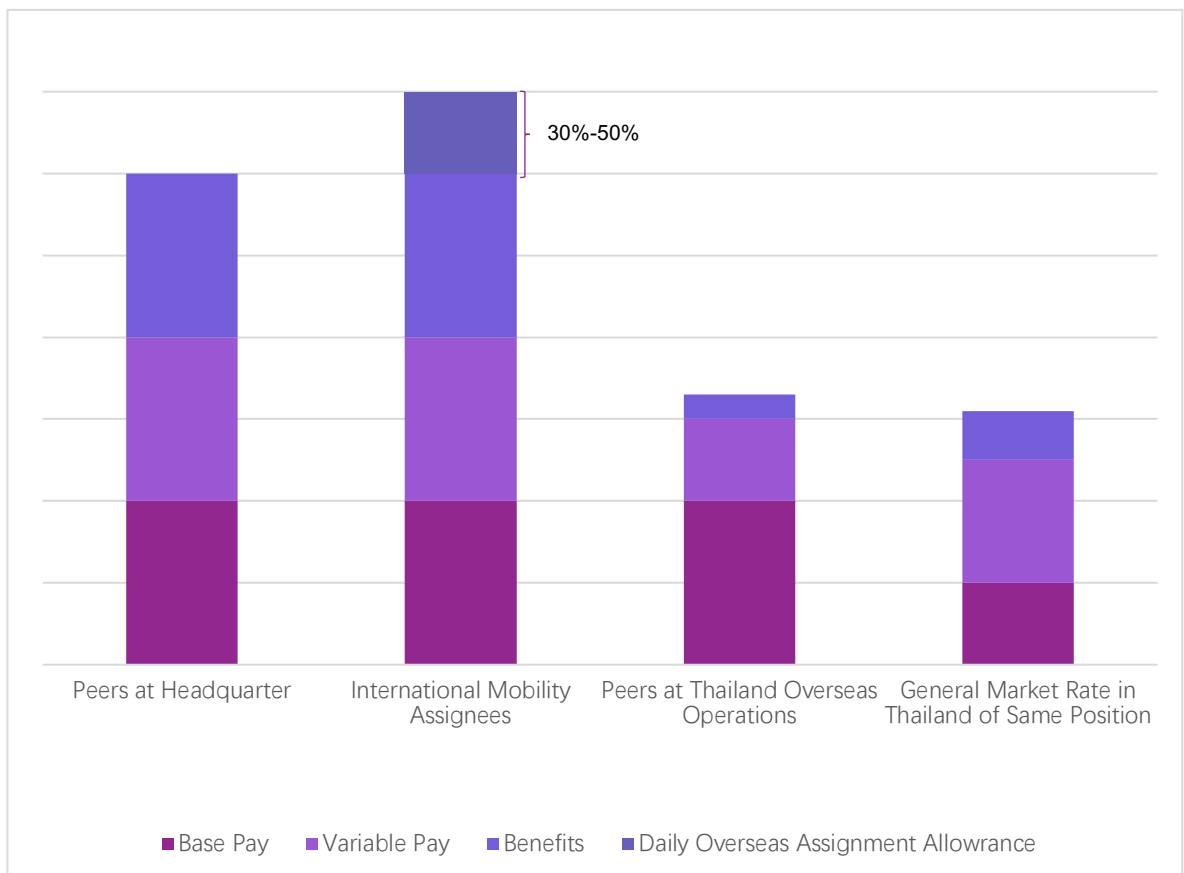
*'We focus on the overseas assignment allowance, which is accumulated on a daily basis. The allowance usually amounts to approximately 30% to 50% of the base pay of expatriates. The components of the allowance are various, such as, it covers travel allowance and the like. The amount of allowance for expatriates is contingent on the degree of hazardous conditions of the overseas projects which are assigned to expatriates. For instance, expatriates who are dispatched to the African subsidiary usually gain more than others who are going to the Thailand subsidiary.'*- Top Manager, Headquarters, China, September, 2019

With respect to the compensation components of host managers' compensation scheme, it generally consists of base salary, bonus and benefit package as well. Overseas compensation practices of the company appear to be more committed to the domestic model rather than referring to the compensation model which prevails locally. The emphasis on basic pay and incentive pay varies between home mode and locally prevalent compensation schemes. The CCMNE appears to place a higher premium on monetary incentives, such as setting a monthly minimum wage. On the other hand, companies that have a long history of operating in a more liberal environment, such as the company in Thailand, may

place a higher premium on enhancing security benefits and developing new ways to encourage people to work. The selected quote below reveal this.

*‘The Chinese company prefers to give you a total good-looking base pay but a low bonus. Whereas most Thai companies offer a variety of incentives and bonuses, the base pay is typically low. For instance, in a state-owned Thailand company, they have a seniority-based incentive. It means if you work for the same company more than one year, an annual 10% incentive bonus will be put on your next year’s net salary.’ -Line Manager, Subsidiary, Thailand, September, 2019.*

Figure 4-2 Components and Comparison of Different Employee’s Compensation Schemes in the Case Company



Source: developed by the present researcher based on data analysis.

Consistent with the views of most interviewees, when converted to Renminbi, there is no significant disparity in basic pay between Chinese expatriates and host employees of the same position. It means that the average basic salary offered by the case company should be greater than the local market average rate when taking the currency exchange rate into account. The exchange rate of the RMB is almost five times that of the Thai Baht.

On the one hand, implementing a global standardised compensation scheme protects the company from additional risks associated with pay disparity between workforces of various nationalities and facilitates expatriates' international mobility. On the other hand, a compensation system that is only partially responsive to local differentiations can have an effect on host employees' organisational commitment. This indicates that the relatively rigorous incentive package will be insufficient to support the recruitment of qualified candidates in the host country. For example, the following quotes indicate the implicit linkage between the compensation scheme and employee turnover rates in the case of overseas subsidiary:

*'Turnover rates for Thai employees are generally high. They usually like to job-hop after the Song-gan festival. They are not like us, who prefer to remain in the same company for an extended period of time. They will quit if they feel unhappy to work here.'* -Line Manager, Subsidiary, Thailand, September, 2019.

*'Chinese employers give me an impression that they care more about the work than their employees. I would like to see the employer send more*

*messages about caring. For instance, to enrich the bonus schemes, like organising annual staff medical check-ups or providing paid holidays. Otherwise, to retain local talent may be difficult.’ - Business Consultant, Subsidiary, Thailand, September, 2019.*

*‘I may choose to return to a Thai company once I have acquired sufficient skills, as it appears to be a more pleasant place to work. The employer would provide a variety of benefits, including a vocation fund and flexible hours to work from home.’ -General Staff, Subsidiary, Thailand, September, 2019.*

In contrast to the global standardised compensation scheme in use at the management level, more dynamic and diverse compensation practices for site workers prevail at the project level. In general, compensation deployment authority is largely devolved to the project managers of each project. Chinese dispatched workers are a reliable source of labour in overseas projects (Corkin, 2012), and they typically hold a fixed-term contract with a single construction firm for two to three years to complete a specific project (Cooke et al. 2018a). The data indicates that dispatched workers are compensated in a consistent manner, similar to how they are compensated at the indigenous project site.

*‘There is no significant difference in compensating Chinese manual teams in China or here. Usually, the basic salary is directly transferred to the dispatched worker’s domestic bank account on a monthly basis, or, in rare cases, they are paid in partially before departing. Cash-supplements for a living allowance would be distributed to workers on a regular basis during their work on site. The rest of the compensation would be paid after they*

*completed the subcontract part.’-HR Specialist, Key Project, Thailand, September,2019.*

Interestingly, what emerges from the data is that project managers at the international project apply a highly variable compensation method to reward those subcontracting local site workers/teams. In other words, the payroll time, level, and methods differ from site to site. For example, it is assumed that the subsidiary would pay the host site workers twice a month at the Thailand site; however, in Africa, the site workers are paid in cash every week. Generally speaking, local site workers are paid at shorter intervals, and wage arrears and unfulfilled promises of pay level are uncommon.

*‘We have to make a punctual payment with cash, otherwise the African workers would stop working immediately and even go for the street protests. They need to sign every time when they receive their pay. You will see the spectacular long line on site at pay day. I know it might be ineffective, but we can avoid any potential labour dispute issues. It is sensitive.’-Line Manager, Subsidiary, Ethiopia, November,2019*

*‘No wage arrears is the bottle line if you want to avoid lawsuits. Lawsuits would considerably cripple the project process because the operation would need to be postponed for official investigation. However, in China, it is common for manual workers and even managers to have their pay delayed for a couple of months.’-Line Manager, Key Project, Thailand, September,2019*

Taking into account the foregoing, the implementation of a contemporary ‘dual-track’ compensation scheme in CCMNE is noteworthy, as it is shaped by the

varying degrees of labour protection and standards in host countries. The exaggeration of 'exploitative management practises' (Cooke, 2014; Zander&Huang, 2017) in overseas Chinese construction sites, which refers to low-cost, informal HR practises and poor labour conditions, is no longer relevant in this case. Indeed, the line manager below mentioned the Chinese international managers' reluctance to take unethical or illegal risks as a result of violations of country-specific labour standards.

*'Generally speaking, workers from capitalist countries place greater importance on individuals' interests and rights. To deal with the labour protection office is one HR challenge we have always met as long as we penetrated this market. Here, demand for a higher standard needs us to measure up.'*-Line Manager, Key Project, Thailand, September, 2019.

Additionally, the impact of the polarised work ethics held by Chinese dispatched workers and host site workers recurred throughout the dataset, and appears to be a significant influential factor shaping site worker compensation practises. According to the interpretations, the objectives of using a diverse compensation method from site to site are to ensure the project progresses and facilitates the productivity of site workers. The selected excerpts below exemplify how the differentiation in work ethics of home and host site workers leads to diverse compensation patterns when rewarding them.

*'I believe we have no choice but to pay the local workers in the short term, because if we don't, their lives will be in jeopardy. They don't save money for the future like their Chinese peers. They spend the money immediately when they get it. That's why I choose Friday to pay them because they*



*usually won't show up on site for a couple of days after they get the payroll. They need time to consume it and enjoy their lives.'*-Project Manager, Key Project, Vietnam, November,2019

*'At the peak time, we would pay different teams at different time slots. This is the only way we can be sure we have enough local workers to meet the project's deadline. Monetary incentives do not appear to be as effective for domestic workers as they are for Chinese workers. Chinese workers can endure hardship for more reward. But the local workers seem to prefer to live in the present and care less about the future. They carpe diem more than extra money.'*-Project Manager, Key Project, Thailand, September,2019

To summarise, a reasonable degree of global standardisation is perceived in the areas of compensation practises of case company. However, what cannot be overlooked is the CCMNE's implementation of the unique 'dual-track' international compensation system, which holds responsibility for the employment and management of large numbers of temporary site workers. The "dual-track" compensation pattern is characterised as standardising the compensation scheme for managers but localising the compensation scheme at the project level. The devolution of management to the project department may create significant space for Chinese contractors to effectively respond to local legislative pressures and labour standards in a timely manner, as well as optimise the incentive nature of compensation practises by aligning them with local workforce demands.

Additionally, these findings indicate that national cultural differences are reflected in the diversity of national labour standards and work ethics, both of which have an effect on the deployment and implementation of compensation practises. Consistent with the argument of Shen (2007), the relatively low labour standards in the home country might cause a general negative attitude of Chinese managers towards the labour protection institutions in the host country. As a result, Chinese international managers may develop compensation practices deliberately in order to avoid employment-related violations. Along with the accumulation of international experiences, the overseas subsidiary of CCMNEs may take into account more local specific conditions (i.e. host customs, labour standards, and regulation) when deploying HRM practises in CCMNEs' overseas operations. In this labour-intensive sector, construction site workers are the critical pillar of the whole industry's human capital. The concern of workers' safety and wellbeing is one salient topic in both the academic and practical community. The research topics in terms of labour standards and the development of host site workers are mostly involved in the discussion of HR development and industry relationship discourse, which will not be discussed further in this thesis.

#### **4.3 The differentiations in implemented key International HRPs between the headquarters and overseas operations of the CCMNE**

The preceding section discussed the similarities in HRPs between the case company's headquarters and its overseas operations. This section will investigate the differences in key HRPs between headquarters and overseas operations by following the associated research question one. In essence, this section discusses the areas and extent to which CCMNE adapts its HRPs to local conditions when operating abroad. Based on the data collection and analysis,

both the overseas subsidiaries and the international project department employ a bundle of distinctive practices in their recruitment and selection functions, which means the practices in recruitment and selection are somewhat different from the home-originated model. The nature of 'decentralised', 'ad-hoc basis', and 'cost-effectiveness' are the three defining characteristics of contemporary recruiting and selection practices.

Recruitment and selection is the process of generating a pool of qualified applicants with appropriate capabilities (i.e. knowledge, skills, and abilities), qualifications (i.e. educational background, professional) and a personality suited to organisational positions. The situation becomes more complicated when it comes to international staffing since it needs to deal with three types of employees (PCNs, HCNs, and TCNs) in different international operations (see Morgan, 1986). More precisely, the international workforce of overseas operations is primarily composed of Chinese expatriates and host employees in this case. The majority of management positions are held by PCNs (Chinese expatriates). Numerous third-country nationals are employed as site workers, the majority of whom are immigrants from neighbouring countries.

*'In this biggest international project, we have 2700 workers on-site at peak time. The management team is made up of 80% Chinese expatriates. But at the site workers' level, roughly half are Chinese and half are local people.'*-Project Manager, Key Project, Thailand, September, 2019

*'In the peak time of the project in 2019, we had 1200 Chinese dispatched workers and more than 800 local site workers on site. At the end of the*

*project, the expatriate staff could not arrive on time due to the constraints imposed by the Covid-19 epidemic. So we temporarily assessed and hired 500 local labourers to keep the project on track.’-HR Manager, Headquarters, China, January, 2021*

What is less common in traditional MNEs is that CCMNEs send expatriates not only to fill key management positions in overseas subsidiaries and projects, but also to fill front-line junior positions, as has been mentioned in some previous works (Cook, 2014; Cooke et al., 2018a, 2019). In general, the lower the managerial position, the greater the participation of host employees can be observed. For instance, in the finance department of the Thailand subsidiary, only the director is sent from headquarters, while the remaining staff is recruited locally. This phenomenon was interpreted by the Human Resources Manager in Thailand as follows:

*‘There are differentiations in the fiscal and tax systems between the home and local countries. We relied on the local-specific professional knowledge and fluent language of local employees to help us avoid any risks. But in the meanwhile, we still need to keep sharing critical information and resources with headquarters through the Chinese director.’ – HR Manager, Subsidiary, Thailand, September, 2019*

While large numbers of Chinese expatriates have been sent abroad, there is no evidence that the geographically dispersed overseas operations follow a globally standardised recruitment and selection procedure or practises. For instance, in the Ethiopian subsidiary, the overseas operations designed and employed an independent HR management system with the aim of recruiting and managing local employees effectively. Based on the introduction of a HR specialist in the

Ethiopian subsidiary, a digitised HR system was initially established to effectively address critical recruitment issues raised during the local employment.

*'When we first arrived, we didn't know that it was best to ask for an official guarantee before signing an employment contract with local employees. It sometimes happens here that the driver who is hauling a load of machinery will disappear without any notice to the company. In such cases, it can be very costly for the employer if the company does not have the official guarantee document on record.'* – Line Manager, Subsidiary, Ethiopia, November, 2019

According to a human resources manager at headquarters, authority over recruitment and selection has largely been devolved to each operation unit, including overseas operations. Additionally, each overseas project department has considerable authority to determine when, how, and who to recruit based on their own job requirements and employment criteria during the construction process. They do not need to get any form of approval from the overseas subsidiary or headquarters as its upper-level management units. The excerpts below demonstrate the case company's decentralised nature of management in recruitment and selection.

*'The overseas operations are responsible for their recruitment and selection independently. Headquarters doesn't intervene in any form. But we will share some key information with them.'* -HR Manager, Headquarters, China, September, 2019

*'The project department frequently recruits on-the-spot and offers a temporary contract. As a result, it appears more reasonable to devolve*

*human resource management to the project department. The subsidiary's human resources department is responsible for maintaining records and resolving payroll issues associated with new hires.' - HR Manager, Subsidiary, Thailand, September ,2019*

This type of pragmatic-oriented and budget friendly approach guarantees that any unforeseen labour shortage issues can be resolved quickly, while it can keep the project on track (Belout & Gauvreau, 2004).

However, the devolution of HRM in the project might also lead to an 'ad-hoc' basis for the recruitment and selection due to the temporary and time-sensitive nature of project production. Project managers who are not adequately equipped with human resource professional knowledge may place a higher premium on productivity and output effectiveness than on anything else. The frontier managers' performance appraisals are heavily weighted toward project quality, cost control, and punctuality of project completion. Thereby, it is not surprising why 'last-minute' decision of recruitment is common in the project.

*'The project manager often has to make quick and timely decisions about adding or removing project staff when they supervise the project's progress. You know, the project time line always puts a lot of pressure on us; we don't have time to report our personnel needs or wait for others to send personnel unless they are key technicians or managers.' -HR Specialist, Project, Thailand, September 2019*

*'Recruitment is only necessary when there is an immediate need to fill a vacancy. Each division manages their recruitment procedures*

*independently in accordance with their needs, which usually covers the advertising, screening and interviews. But the initial decision needs to be reported to the HR department for finalisation.’-HR Manager, Subsidiary, Thailand, September ,2019*

Also, the impact of ‘home-country administrative myopia’ might be another discrete factor leading to the prevailing utilisation of ‘decentralised’and ‘ad-hoc basis’ international staffing approaches in the case company. For instance, back in the headquarters in China, the recruitment procedure for selecting expatriates is conducted separately by each department and subsidiary. Each organisational unit carries out its own recruiting process, selecting suitable candidates based on the requirements of one specific project, and then reports the name list to the HR department of head office. The HR department at headquarters only takes on the responsibilities of advisory, background check, and announcement. According to HR managers at headquarters, the case company has a history of using a short-sighted staffing strategy when operating in the indigenous market. Recruitment seems to happen only when a vacancy arises or a new project is about to launch. However, the situation has become more nuanced when it comes to international ventures. The comment below demonstrates clearly how a ‘ad-hoc’ staffing approach may jeopardise the company's continued international expansion.

*'We currently face a shortage of international talent. We used to start recruiting when a vacancy appeared or when we were about to start a new contract project. However, this HR planning strategy can no longer catch up with the fast growth of our foreign market. It is becoming an emergency*

*for us to look for enough qualified candidates and fill the talent pool.'-Top Manager, Subsidiary, Thailand, September ,2019*

Interestingly, contrary to the headquarters and other international leading companies, overseas operations of the case company prioritise a cost-effective staffing strategy. The sourcing approach taken by overseas operations is simple and short-term viability. Take the Thailand subsidiary as an example, in the overseas operations, current employee referral and 'word-of-mouth' are the primary sourcing methods, as opposed to campus replacement and internet recruitment, which are the primary sourcing methods utilised in headquarters.

*'I usually receive positive responses when I ask my local employees to assist me in posting a recruitment advertisement to their Chinese-learning group or classmate group. On a construction site, 'word-of-mouth' is an effective method of locating employees quickly. The majority of local staff were referred by relatives or friends in the community. Collaboration with local labour agents or government officials is another source of supply. '- HR Specialist, Subsidiary, Thailand, Oct,2019*

*'My brother introduced me to this company because he is a friend of the human resources manager. I had never heard of this company until I Googled them. Then I verified that it is a well-established company in China, not just any small business.'- Staff, Thailand Subsidiary, Thailand, October,2019*

Indeed, the overseas subsidiary's human resources manager stated that the case company has difficulty in establishing relationships with host educational or vocational institutions due to the local community's general negative perception



of the foreign-owned construction company.

*'Most of the graduates would not choose to work in a construction firm, because they think the job is unstable, in particular foreign-owned construction firms. They assume we might leave after we finish our projects.'* -HR Manager, Subsidiary, Thailand, October ,2019

Additionally, when it comes to selection criteria, overseas operations place a higher premium on a candidate's Chinese language proficiency and willingness to work overtime. The educational qualifications and professional experience of candidates, which are the two most important selection criteria of candidates at headquarters, are ignored. According to a random background check of twenty host participants who are currently employed by the Thailand subsidiary of the case company, the majority of them are either fluent in Chinese or have prior learning experience in China.

*'Our interviews are sometimes conducted in Chinese to check a candidate's language proficiency. We prefer to recruit a candidate with a Chinese certificate.'* -Line Manager, Subsidiary, Thailand, September ,2019

*'At the beginning of the interview, we mention to the candidates that they might need to work overtime. This is an unchangeable reality. We continue the rest of the conversation when the candidate accepts this.'* -HR Specialist, Subsidiary, Thailand, September ,2019

In comparison to the prevalent recruitment and selection practises in other local homogeneous companies, the case company's recruitment and selection

practices appear to be simple and focused on avoiding additional costs. Given the views of the host HR managers who had 20 years of work experience in the homogeneous local companies, usually the local company would organise a comprehensive selection assessment. Language tests, interpersonal tests, psychological tests, and face-to-face interviews are typically included in the assessment. However, in the case of a company's overseas operations, only limited evaluation and interview options are available.

*'The recruitment procedure in the Thailand subsidiary usually includes resume screening, one or two rounds of face-to-face interviews with directors who are in charge of the potential candidate's work scope. But here, we don't have a fixed procedure' -HR Specialist, Subsidiary, Thailand, September, 2019*

Given the foregoing comments, this thesis argues that the CCMNE's overseas operations that are located in developing host countries, continue to be dominated by a fairly simple and cost-effective staffing strategy/approach (Kamoche & Siebers, 2015). The success of recruitment is contingent upon a strong local interpersonal network. Additionally, it also pointed out that CMNEs would find it difficult to recruit qualified workers during the earlier stages of internationalisation because they usually suffered from the pressures of being 'foreigner' and 'latecomer' (Meyer & Xin, 2018). Based on this fact, it might partially explain why CCMNE relies heavily on Chinese expatriates for achieving their business objectives at the initial stage of internationalisation.

In addressing research question one, this thesis identifies the existence of

differences between headquarters and overseas operations in the aspect of recruitment and selection. In fact, the implemented recruitment and selection practices in overseas operations resemble neither the home-originated model nor the local-specific model. In line with some earlier research, the empirical evidence corroborates the theory that an ethnocentric staffing approach is used by the CCMNEs. It implies the staffing strategy adopted by expatriates is heavily reliant on expatriates to fulfil the key management positions and considerable key technical positions at project level. In the effort to characterise the CCMNE's international staffing approach, decentralised, ad-hoc and cost-efficacy are three dominant themes which came up for illustration. This thesis adds value to the literature by providing three potential associated influential factors which might affect the deployment and implementation of CCMNE's recruitment and selection practices across borders in explicit or implicit ways. Using the perspectives expressed in the interviews, this research further argues that the impact of home-country heritage myopia, the unique nature of the production as a project, and the case company's liabilities as foreignees and latecomers are the unavoidable factors affecting the case company's contemporary distinctive international staffing approach.

#### **4.4 Summary of chapter four**

In order to address research question one, which is associated with research objective one, this chapter elaborates on the similarities and variations in the aspects of key HRPs between headquarters and the overseas operations of the case company. Based on interpretation and analysis of collected qualitative data, section 4.1 identifies that overseas operations of the case company closely replicate the home-originated practices in the practices in training, development

and compensation. The CCMNE's overseas operations employ a 'dual-track' compensation system. It refers to the utilisation of a globally standardised compensation system at the management level, but a flexible and temporary basis for compensation practices at the project level. Conversely, section 4.2 identifies that with respect to recruitment and selection practices, the HRPs in the overseas operations differ from either home-originated mode or local mode. This thesis summarises the CCMNE's international staffing strategy as being decentralised, ad-hoc, and cost-effective. Table 4-1 below summaries in what areas and to what extent the case company standardises its key HRPs across the boarders.

Table 4-1 The Summary of Standardisation and Differentiation in the Key HRPs between the Headquarter and Overseas Operations of Case Company

Research question	Key findings of this chapter
<p><b><i>RQ1: What are the similarities and differences between CCMNEs subsidiaries and the headquarters pertaining to the deployment and implementation of key HRPs (e.g., recruitment and selection, training and development, and compensation)?</i></b></p>	<ul style="list-style-type: none"> <li>➤ In the areas of recruitment and selection, a rare degree of global standardisation has been observed across the headquarters and overseas operations of the case company in terms of recruiting strategy, sourcing approach, selection procedure, and candidate criterions. CCMNE's international staffing methods appear to be decentralised in different project departments, ad-hoc basis, and in a more cost effective manner.</li> <li>➤ In the areas of training and development, there has been a high degree of consistency between the headquarter and overseas operations under the same training policies. Both the headquarter and the overseas operations employ the similar training curriculum, and undertake the global standardised training methods (i.e. job rotation system and apprenticeship).</li> </ul>

Research question	Key findings of this chapter
	<ul style="list-style-type: none"> <li>➤ Compensation is an area where there is a reasonable degree of global standardisation between the headquarters and overseas businesses. To be specific, CCMN employs a comparable compensation structure, level, composition, and payment method at the management level, but site-specific and temporary compensation methods have been implemented at the site worker level.</li> </ul>

*Source: Developed by the present researcher based on data analysis*

In a nutshell, this chapter demonstrated that global standardisation in IHRM continues to be a key trait of CCMNE. However, some locally specific elements have subsequently emerged in the IHRM of CCMNE as well. This chapter adds value to the literature in the following ways. Firstly, the emerging theme of the dataset affirms the mainstream accounts in literature which argue that the Chinese contractor favours implementing an ‘ethnocentric’ staffing strategy when going abroad, and accepts the number of dispatched Chinese workers (Davies et al., 2008; Thite et al., 2012; Cooke et al., 2018a). In particular, more host workers will be employed at the lower administrative levels. At the project level with lower supervisory levels, the ratio of Chinese expatriates and local employees has reached a balance. Also, three peculiar features inherent in the international staffing approach or practice in the context of the CCMNE are identified as decentralised, ad-hoc and cost-efficacy with emphasis on short-term validity. These findings empirically support previous arguments which highlight the relative deficiency of strategic consideration when designing and deploying

staffing practices of CMNEs when going abroad (Kamoche & Siebers, 2015). Thus, the employer brand might be impaired, which makes CMNEs less attractive in the local labour market (Meyer & Xin, 2018). But on the other hand, the flexible features of the implemented international staffing approach of CCMNEs in some cases help labour-intensive construction companies to respond effectively to the changing and complex international operating environment. For example, when facing the uncertainties caused by the Covid-19 pandemic, the movement of expatriates has been restricted. The utilisation of ad-hoc basis and decentralised staffing approach enabled overseas project departments to adjust their recruitment practices in time during the project's middle stages, thereby keeping the project on track.

Secondly, given the global standardisation of training and development practices, the data indicates that there is no significant disparity between PCNs and HCNs. Job rotation and apprenticeships are two key methods of on-the-job training that Chinese contractors use to facilitate knowledge transfer and skill acquisition in host markets. Thus, the findings contradict the prevalent narrative in the literature, which criticises Chinese contractors for commonly bringing limited knowledge to the host community (Corkin, 2012; Jackson, 2014). The empirical evidence at least indicates that CCMNEs have no automatic preference for restricting cross-border knowledge transfer.

Thirdly, the case company's distinctive 'dual-track' compensation system exemplifies the CCMNE's aim of globalising pay systems while allowing for flexible adaptation to local conditions. Interestingly, this thesis acknowledges that

the disparities in work ethic and national labour standards between host and home staff are mainly attributed to the diversity compensation practises at project level. Furthermore, the adaptation of the 'balance sheet approach' dominates the design of Chinese expatriates' compensation. The pay parity between Chinese expatriates and host employees from a low-wage host country casts doubt on earlier research arguing that CMNEs exploit low labour costs excessively when operating in developing countries. The phenomenon of 'exploitive management' among host workers is no longer observed in this case (e.g., Lee, 2009). At least in this case, the compensation scheme of local employees is generally higher than the host market trend and has become one incentive of HCNs' employees to remain in the case company. It should be noted that a lot of existing comments and critiques around the employment behaviours of CCMNEs may be out of date. This research's addition of contemporary empirical facts offers a more pluralistic perspective and factual foundation for future relevant research.

## **CHAPTER FIVE:**

### **THE IMPACT OF EXTERNAL INFLUENTIAL FACTORS ON THE IMPLEMENTATION OF KEY HRPs IN OVERSEAS OPERATIONS OF THE CCMNE**

#### **5.1 Introduction**

The previous chapter addressed research objective one by exploring how the CCMNE transfers and adapts its key HR practices in the overseas operations located in the developing host countries. Driven by research objective two and associated research questions two and three (see Figure 1-4), this chapter will specifically examine and identify the effects of influential factors from the institutional and sectoral environments on the overseas deployment and implementation of key HRPs in the case company. In essence, the main issue of this chapter is to reveal why the CCMNE manages its international workforce in the way explored in the previous chapter through the lens of strategic IHRM. Combining the theoretical assumption derived from the initial integrative template one (see Chapter 2) with research questions two and three (see below), three significant potential elements from the external environment are salient and require examination. They are impacts of governmental and regulatory influence, cultural diversity, and industry characteristics. From the existing theoretical assumption, those external influential factors might shape the key HRPs in CCMNE's international operations. Therefore, the role of government/legislation, culture and sectoral factors will be discussed in sections 5.1, 5.2 and 5.3 respectively. Finally, section 5.4 will summarise this chapter.



**RQ2:** *How do national factors such as government, legal requirement, and cultural differences affect the deployment and implementation of key HRPs in the CCMNE's overseas operations?*

**RQ3:** *How do sectoral factors such as the nature of industry and international competition affect the deployment and implementation of key HRPs in CCMNE's overseas operations?*

## **5.2 The impact of government and legislation**

It is a longstanding acknowledgement that CMNEs bespeak continuing Chinese government intervention (e.g., Si, Wei, & Li, 2008), and that CCMNEs are no exception (e.g., Alden & Alves, 2008). Depicted in the conceptual framework illustrated in Figure 2-4 based on the literature review, the research posits that the HRM practices in the CCMNE should be shaped by governmental and legal constraints in multi-facets through explicit and implicit ways. HRM is one managerial function which is sensitive to the institutional environment (Cooke et al., 2018a). In the effort to examine how institutional relevant elements affect the deployment and implementation of key HRPs in the case company's overseas operations, the conceptual assumption themes outlined in Figure 2-4 are structurally applied to match the collected empirical evidence. Based on the data analysis, it is concluded that the following five influential factors from the institutional environment have a significant impact on the deployment and implementation of IHRPs in the case company's overseas operations. The five external influencing factors are: the explicit effect of policy incentives and employment regulatory mandates; the latent effect of political connections between the home and host governments; the relationship between government and business; and the implicit effect of labour availability in the home and host

countries. Each factor will be discussed in turn in the following subsections.

### **5.2.1 The role of policy incentive and employment regulations**

The interaction between policy incentives from the home government and the catalysts of the internationalisation of the CCMNE is prominent in the interview data. The majority of interviewees remarked that the announcement of the 'Belt and Road Initiative' significantly accelerated the company's internationalisation process. Although the company had already attempted to undertake overseas projects in the early 90's, it had not formulated a solid business strategy such as taking economies of scale on a global basis until the announcement of 'going-out' Initiative. The company has achieved relatively promising results and made rapid international expansion after 2013 since entering the international market in full force. Based on documentary records, the international contract volume from overseas markets has accounted for almost 60 % of the company's total newly assigned contracts in recent years. The following perspectives from top executives of the case company affirm the critical role of policy incentives in enabling the formulation of the company's 'going-out' business strategy:

*'The top-managers are generally sensitive to the political orientation. The proposal to establish a wholly-owned overseas subsidiary, which had been postponed for years, was quickly approved by the board of directors when the favourable policy was announced.'* -General Manager, Subsidiary, Vietnam, November, 2019

*'Headquarters obviously gives more attention to the international market, especially the Thailand market. The president would take monthly visits to*

*Thailand to monitor the progress of the key projects in Thailand. Our new business goal is to enter the Fortune 500 within 5 years.'*-Senior Manager, headquarters, China, September, 2019

From the above quotes, the case company's top management has strategically prioritised international expansion and attainment of global leadership as a result of policy incentives. It is clear that the favourable incentives of the home government should be one critical factor affecting the CCMNE's international strategy, which would have implications for the mindset and international orientations of top management. Grounded on the fruitful literature, the shift of top managers' international orientation should affect the staffing strategy and practices in the subsidiary (Caligiuri & Colakoglu, 2007). For instance, the seminal work of Barlett and Ghoshal (2000) pointed out that when MNEs have the objective to enlarge economies of scales on a global basis, it is more reasonable to integrate each overseas unit of the company as one big market. Following this river, the MNE is more likely to emphasise global integration at the cost of local responsiveness (Barlett & Ghoshal, 2000); therefore, the choice of a specific staffing approach might be affected when the company ventures into the key host market.

Regardless of the impact on top-management's orientation, the influence from home policy incentive is further reflected in the considerable resource endowment in supporting and accelerating the international expansion of CCMNEs in general and the case company in particular. What is salient from the data is the favourable financial support from the state banks (e.g., the People's Bank of China, China Development Bank, Exim Bank) and even the private bank

HSBC. A considerable amount of tax reimbursement and state subsidies aiming to accelerate CCMNEs' internationalisation can be detected in many forms. It is obvious that resource endowment from headquarters could affect the implementation of overseas HRPs, because overseas operations may be excessively reliant on home-specific competitiveness resources (Khanna, 2009). For instance, one specific statement illustrates the fact that the financial support from the state-owned offices will reduce the expatriation costs of the case company. International managers' motivation to localise international workforces in order to reduce expatriation costs may be weakened. This may help to explain why the ethnocentric staffing approach prevailed in the case company, despite the fact that overseas projects were located in developing countries with a relatively inexpensive labour force.

*'Our expatriates benefit from favourable fiscal treatment. For instance, when a company purchases insurance for dispatched employees, the home government reimburses a portion of the fee to subsidise expatriates' go oversease insurance.'* -Senior Manager, Headquarters, China, September, 2019

Similarly, the financial endowment provided by the home government has a significant impact on the investment location selected by CCMNE, which has implications for the business's strategy decision-making. Essentially, the financial endowment of the home government is conditional on the host country's political and institutional status. For instance, a number of senior managers referred to the fact that the approval of the Letter of Credit which are warranted and issued by the state banks are associated with the institutional stability of the host country.

This credit voucher is one critical entry threshold for CCMNEs to successfully bid in the international market.

*'The investment decision in Ethiopia was initially based on the high investment evaluation level of the Bank, and at that moment, a lot of Chinese cashes flows to that country. We assume Ethiopia might be a good entry for penetrating into the African market. However, the situation has changed because the political situation has started to become unstable and there has been turbulence in that area. We are unlikely to get a loan from the state bank at this moment, so we have to postpone the market expansion in Ethiopia and bring our attention back to South-Eastern Asia.'*--Top Manager, headquarters, China, September,2019

*'Ethiopia suffers from political uncertainties. The regime changes would lead to suspension of a signed contract. What's worse, the law enforcement agencies start to make fastidious inspection of the tax and employment situations of foreign companies when the regime shifts.'* - Top Manager, headquarters, China, September,2019

In the overseas operations located in host countries suffering from political uncertainty, such as the Ethiopian subsidiary, they seem to be given more HRM autonomy to respond better to the tough local fiscal system. In particular, the Ethiopian subsidiary has its own HR system and compensation system with compliance to the local law. Some interviewees remarked that there is less supervision and interference from headquarters in the Ethiopian subsidiary compared with other overseas subsidiaries, such as the Thailand subsidiary. Further excerpts below indicate that, in this case, less management control from

headquarters is perceived in the overseas subsidiary located in a host country with greater institutional uncertainties, because the greater autonomy enables the overseas subsidiary to respond to the local-specific complexities quickly.

*'We will send the expertise team to Ethiopia for instruction on technical issues only at the very critical time stage as the project progresses. The front-line local technicians would be sent back to headquarters for machine operation training at the very end of the project. Other than that, we don't put our hands into their operations.'* -Senior Manager, headquarters, China, September, 2019

Clearly, the host country's uncertain and weak institutions are perceived to shape the case company's international HRPs in an indirect way. Interestingly, this argument is in contrast with the previous claim of Shen (2006), which argued that CMNEs would like to exert more control and send more expatriates to overseas operations located in politically unstable host regions. Combining the previous literature with the case evidence, it is more reasonable to argue that the weak institutional and political uncertainty of the host country could be one discrete factor to steer the headquarters and overseas operations relationship in the context of EMNEs (Courtney, Kirkland, & Viguerie, 1997). It could further exert certain influence on the investment choice and international strategy of EMNEs, and shape the IHRM of CMNEs in many aspects.

When examining the impact of regulatory pressures from both the home and host countries on IHRPs in the case company's overseas operations, it is determined that the host country's 'alien' employment regulation and fiscal-related regulation

play a significant role in shaping the CCMNE's employment practises in terms of staffing and compensation.

*'Thailand has a strict and comprehensive alien employment act , particularly in the labour-intensive sectors. The employer is required to hire four locals to qualify for one expatriate work permit. A dispatched expatriate must possess a certain level of technical certification in order to be granted a three-month visa.As a result, the majority of our dispatched workers hold state-issued senior technician certificates.'*-HR Manager, Headquarters, China, September, 2019

*'No semi-skilled or non-skilled dispatched workers are allowed entry into Thailand; the employment regulations strictly stipulate that manual workers should be locals or immigrants from other ASEAN countries. Therefore, the manual workers team for low-skilled jobs are all locals, but the technician team has never been made up by all locals yet because they can't find enough qualified technicians. We plan to train some local technicians and gradually achieve all HR localisation in the future.'*-Project Manager, Key Project, Thailand, September,2019

These quotes explicitly state that the employment regulation of the host country imposes constraints on CCMNEs dispatching semi/non-skilled workers, particularly in Thailand. It seems that the CCMNE has shown a willingness to comply with the specific host employment regulations. Indeed, a consensus among manager interviewees indicated a strong intention to embrace the HR localisation strategy in the near future, owing to host countries' legislative enforcement pressures and the high cost of heavy expatriation. The following

quotations concisely illustrate this point:

*'We tried to develop HR localisation for many years. One expatriate's cost is almost three times as the cost of hiring a local employee. Most of our operational cost have been spent on expatriation and settlement.'*-HR Manager, Headquarters, China, September,2019

*'If you ask me what's the key future strategy of international expansion, I would say workforce localisation. Expatriation cost are a heavy burden of our overseas operations. Despite the fact that you spend considerable time and money obtaining visas and work permits for Chinese technicians, they lack Thailand-issued technical certificates. It means they are not authorised to sign the blueprints. Therefore, HR localisation not only diminishes the risk of illegal employment, but also eliminates the operational troubles.'* -Line Manager, Headquarters, China, September,2019

Additionally, the relevant fiscal regulation in the host country has an effect on how compensation practises are deployed in overseas operations. The empirical evidence indicates that the greater the differences between the home and host countries' fiscal systems/regulations, the more likely it is that companies will adapt to local-specific compensation tacits to mitigate the taxation risks.The comments below typify the above argument:

*'Ethiopia implements the most stringent and comprehensive tax laws in the African continent, which are far different from the China system. Every employee, whether under a temporary or long-term contract, is required to offer a detailed written salary note for paying personal income tax. If you*



*don't properly comply with their tax regulations, the company representative might be confronted or detained. Therefore, the compensation practices in the Ethiopian subsidiary are quite different from other subsidiary, as we prefer to pay cash and so we have to separate the expatriates' compensation from the local employee, and have part of expatriate's salary paid through domestic bank transfer.'*-HR Manager, Headquarters, China, September,2019

*'In Ethiopia, permanent workers must be covered by pension insurance at the place where they are employed; temporary workers must be covered by a temporary contract, which stipulates they are paid on a daily or hourly basis in case any strike or dispute might happen.'*-Line Manager, Headquarters, China, September,2019

Based on the above perspectives, while numerous other variables are equal, the local employment regulation can effectively regulate the entry threshold of Chinese expatriates by imposing specific requirements on employees' quality and quantity. This could result in the adoption of a strategy of human resource localisation in certain host countries' overseas operations. It is evident that the more rigorous the host employment laws, the greater the likelihood that the CCMNE would localise its international HR practices. This explicit link between host-country legislative enforcement and the various modes of international staffing approaches and compensation practices may provide a reasonable explanation for previous literature claims that Chinese contractors bring semi-skilled and non-skilled expatriates into some host countries but not all (see Cooke, 2014; Cooke et al., 2018a; Power, 2008).

### **5.2.2 The role of latent influences from home and host key institutions**

Though explicit influence from political and legislative measures is strongly present, this thesis assumes that the impact of some types of subtle (or implicit) institutional norms on the IHRM in the CCMNE cannot be overlooked. They are termed as 'latent influence'. In an effort to identify how and the extent to which institutional factors from home and host countries affect the international HR activities of the case company in latent ways, three dominant themes emerged. They are interpreted and termed as the influence of political connections between the home and host governments, resource exchange between key state institutions and the CCMNE, and the state ownership of the CCMNE.

***Political Connection:*** The existing literature indicates that a relatively positive political relationship between the home and host countries may increase CMNEs' willingness to invest. Sometimes, home and host political relations might be positively linked to the business development of CCMNEs in specific regions, such as in Africa. Similarly, the case company's collected data demonstrates the truth that the stronger the political connection between the home and host countries, the greater the case company's local legitimacy within the host institutional system can be. Legitimacy is an intangible corporate asset when a company is exposed in certain contexts since it would enhance the capability of the company to gain more access to key local resources (Rindova, Petkova, & Kotha, 2007). The influence of the political connection between home and host country is mainly reflected in the ease of obtaining visas for Chinese expatriates, and the level of local recognition of Chinese-specific industry standards, such as the acceptance of Chinese-specific professional qualifications.

Against this backdrop, the Chinese government attempts to keep and consolidate bilateral relations with African countries, Chinese expatriates, in this case, appear to find it easier to get work visas from Ethiopian companies than elsewhere. Because Ethiopia has lowered its entry standards and shown a more welcoming attitude towards the admission of Chinese expatriates than other host countries, such as Thailand and Vietnam.

*'Going back to the time when we had a closer relationship with the prior regime of Ethiopia, limited constraints would be imposed on expatriates from the state-owned company when they applied for work permits. The Chinese official passport holder can even use the airport's VIP fast track. But you hardly see similar favourable conditions when sending Chinese workers to Thailand.'* - Top Manager, headquarters, China, September, 2019

*'The Thailand labour offices usually takes months to inspect the qualifications and profession of Chinese expatriates before issuing work permits. So, we only expatriate technicians with high-level professional certificates to Thailand.'* – HR Manager, Subsidiary, Thailand, November, 2019

*'During tough times between China and Vietnam, employee strikes were specifically organised and targeted at Chinese-owned enterprises. In some cities, the Chinese billboards of stores were asked to be removed or changed to English. Although this period has passed, we both know a*

*Chinese company cannot go far without localising their workforce in Vietnam.'* - Project Manager, Subsidiary, Vietnam, November, 2019

As evidenced by the aforementioned quotes, a stronger political connection between the home and host countries does indeed have an effect on the international staffing orientation and implementation in the HRP in a variety of ways. Given that all other variables are equal, the CCMNE may be more likely to use a traditional ethnocentric staffing approach when operating in a host country with positive political connections to the home country. Companies might find less resistance to sending PCNs due to fewer problematic repercussions for the visa applications of Chinese expatriates. Alternatively, if political connections between the home and host countries remain weak, CCMNE may be more inclined to consider localising their workforce in order to achieve sustainable local growth and circumvent local regulatory pressures. This argument is consistent with one previous claim (e.g., Alden & Davies, 2006) which argues that Chinese firms have competitive political advantages in some certain host countries.

Additionally, the extent to which Chinese-specific professional certificates are recognised and accepted by host industry stakeholders, such as industry associations and relevant law enforcement agencies, appears to be influenced by the political connection between the home and host countries. Professional accreditation would have an impact on CCMNE's overseas staffing and training activities in this technical-focused construction industry. In essence, it reflects the level of accreditation regarding Chinese construction technology and industry standards in the host country. In this sense, this variable would shape the extent to which CCMNEs rely on the employment of Chinese expatriates who have

Chinese-specific expertise. Also, the host and third-country nationals who have a knowledge of Chinese expertise might benefit greatly as well. It is self-evident from the statement below that exporting Chinese-specific production standards and machinery to the host country is easier when the host country grants Chinese technology greater accreditation.

*'In Africa, Chinese machinery, products and construction standards are gaining a higher degree of accreditation. The projects in Ethiopia were made in China down to the smallest screw and were praised by the prime minister.'*—Line Manager, Subsidiary, Ethiopia, November, 2019

*'American-led construction standards dominate the Thailand market. This is a challenge for us since we must try to adapt to the new standard in a short period. We need to train our expatriates on site without crippling the project's progress. Some of the machines are also uncomfortable for our technicians to use.'* - Project Manager, Subsidiary, Thailand, November, 2019

**Resource Exchange:** After examining the effect of latent influences at the national level, this study explores the impact of interference between key institutions and organisations in the home and host countries, as well as the implications for the IHRM in the CCMNE. When asked whether overseas operations ever encountered any resistance from the community or governments during the internationalisation process, the participants were unanimous in the view that maintaining a good and close relationship with the local community and regulatory agencies is critical for the case company's success, particularly in a developing host country. According to data collected from overseas operations in

Thailand, a number of participants indicated that the company places a premium on developing positive relationships with local officials from key regulatory enforcement agencies, including the police offices, immigration offices, and labour affairs offices. In some cases, the inter-personnel ties between the company's managers and local officials from key institutions can assist the case company to bypass unnecessary or inadvertent employment issues. Indeed, it is a traditional tactic in Thailand for foreign businesses, including large-scale local enterprises, to employ retired or incumbent government officials as business consultants and use them as a gateway for contacting key local institutions. The selected excerpts below exemplify how important it is for CCMNEs to maintain good relationships with governmental authorities.

*'The company stuck in a labour dispute when they had just entered the Thai market and at that time, they turned to me and hired me as the business consultant. If that issue had not been properly resolved by me, the company might face the risk to withdraw from the Thai market.'* -  
*Business Consultant, Subsidiary, Thailand, September, 2019*

*'The first and most critical step we must take before launching a project in a particular area is to establish and maintain positive relationships with key local governmental authorities, such as immigration offices and labour bureaus. Maintaining good interaction with these departments reduces the risk of our expatriation activities and local employment.'* -- *Top Manager, Subsidiary, Thailand, September, 2019*

These perspectives emerge primarily from relevance to the critical role of political actors and business ties in determining the international performance of the

CCMNE in the developing host country. In the majority of cases, the link is inextricably linked to the ease with which international employment practises are legal and risk-averse. As mentioned in the comments below, the mindset and capability of international managers in the CCMNE, with an emphasis on navigating and establishing positive relationships with key home/host institutions, can be viewed as a distinct competitive advantage of CMNEs in terms of mitigating the risk of irregularities in employment in overseas operations.

*'Labour laws are strict in this country. We encountered malicious reports from competitors in terms of irregularities in employment. Weeks of workload were put on hold when immigration and the labour office came and conducted inspections.'* -Line Manager, headquarters, China, September, 2019

*'It is hard for Chinese companies to win lawsuits if you are accused of illegal employment or sued by local employees. What's worse, if you get on the black list of the immigration office, the company won't be allowed to contract any projects in Thailand any more. We will have to pull some strong strings with local governments and communities before we penetrate into one specific area.'* -HR Manager, Subsidiary, Thailand, September, 2019

According to the excerpts above, it appears that a lack of international experience in operating overseas and an inadequate number of internationally savvy managers impede the development of CCMNE to some extent. That 'liability as a latecomer' of CCMNE is typically mitigated through the establishment of a local network, which specifically refers to build close relationships with key host

institutions, as they have been found at home (Peng&Luo,2000).Thus, CCMNEs appear to have adopted the strategy of developing close relationships with key state institutions in the host developing country in order to respond effectively to eventualities of international employment issues. This mind-set and capability of the CCMNE to navigate and build the political and business links in some aspects might act as a key factor to mediate the liabilities of EMNEs as the 'latecomer' (Sparrow et al., 2016). On the one hand, it has been argued that EMNEs have a 'non-conventional' ownership advantage in the past because this capability has been honed through decades of domestic development (Guillén & Garca-Canal, 2009; Williamson & Wan, 2018). On the other hand, it may erode a company's ability to respond effectively to local-specific employment legality if the company relies excessively on political expediency.

***Ownership Specialty:*** In comparison to private companies, state ownership of the case company is viewed as another way for the home government to influence the company's foreign human resources in a more tacit manner. Firstly, there have been some positive reports about how local communities have actually endorsed the state-owned nature of the case company's business. The community's general confidence in state-owned enterprises is demonstrated by the fact that local candidates may prefer to work for a state-owned Chinese enterprise.

*'Generally speaking, people from the local community will place more confidence and trust in a Chinese company with a governmental background. They assume state-owned enterprises achieve better*



*credibility, strength, and stability.’ -General Manager, Subsidiary, Thailand, September, 2019*

*‘The stability of state-ownership seems to work as an effective flyer to attract desirable local talent. They prefer to choose state-owned rather than private companies because we always pay on time. Honestly, we don’t skimp on labour costs, although it accounts for a big portion of the whole operational cost. But in some private companies, as far as I know, you might encounter wage arrears if a company doesn’t bid new contracts. While we may not be able to offer the same rate of salary growth as some private companies, many local staff would still like to stay .’-HR Manager, Subsidiary, Thailand, September, 2019*

As a result of these excerpts, it is possible to conclude that preferential access to critical resources from home/host key institutions benefits rather than aggravates an overseas operation’s ability to attract and retain PCNs/HCNs applicants, particularly for overseas operations located in developing countries. Maintaining a positive national reputation and increasing the international prestige of state-owned CMNEs appears to have become a primary objective of state-owned CMNEs in recent years, which may influence the management ideology of international managers. Consequently, it could have an impact on the deployment and implementation of a company’s IHRPs.

*‘State-owned companies care more about the establishment of a positive employer image rather than only focusing on making profit. We know how we behave in the international market will be amplified and associated with*

*the national image. It is important to maintain a good group image for CCMNEs.’ -HR Specialist, Subsidiary, Thailand, September, 2019*

Another characteristic of state-owned enterprises is their emphasis on state interest and party loyalty among senior Chinese executives. It is recognised as one form of common organisational value shared by the expatriates’ group in the overseas operations of the case company. The impact of state interest superior manifests in the selection, appointment and performance appraisal process of overseas operations. The following quotes demonstrate unequivocally that party affiliation or allegiance plays a salient role in determining a Chinese international manager’s promotion and performance evaluation.

*‘Generally, the KPI evaluation of expatriates is rated by two key directors, one is the project manager who focuses on the operational performance and another one is the party secretary for investigating expatriates’ ideological leanings. I mean, every Chinese employee should be aware that we need to protect national benefits no matter whether you are a party member or not.’ -HR Manager, Subsidiary, Thailand, September, 2019*

Additionally, members of party committees frequently make significant contributions to the maintenance of unity and stable labour relations at the subsidiary and project levels. The data shows that in the case company, the Deputy Secretary of the Party Committee is assigned to fulfill the job of maintaining the labour relationship. Specifically, their responsibilities include receiving and responding to job-related complaints from employees; coordinating resources to solve employees’ personal difficulties, etc.

*'The Deputy Secretary should be the person who can eat, live and be a friend with the front-line workers. He should keep checking in with those young employees, such as: did they encounter any problems or did they need any help? To work far away from home is really tough for most employees. It's not surprising that some of them would give up in the half way. So, we expect the deputy secretary to stabilise the international team and provide more humanistic care.'* -Secretary of Party Committee, Key Project, Thailand, September, 2019

*'We need to take care of the dispatched workers and bring them home safely and healthy. For example, some employees might be clamouring to return home during the project process due to family issues. The deputy secretary would report to the party committee of the headquarters and they would coordinate domestic resources to help expatriates solve their problems, such as taking care of their ill parents, finding a good school for their kids, etc.'* -Top Manager, Headquarters, China, September, 2019

This is not an isolated case. One prominent trend that emerged from the data collected from Company A, another state-owned leading CCMNE, is state-interest superior. As the senior manager of Company A demonstrated, state-interest superior ideologies dominate and shape organisational culture. This demonstrates that the effect of ownership specialty may extend beyond a single company to the entire sector, as the behaviours of leading company may spread throughout the sector and shape managerial practises at other companies via possible mimetic isomorphic forces.

*'We regard organisational culture sharing with overseas subsidiaries as a long-term critical task, and qualified party members must assume responsibility for its completion.'* - Top Manager, Headquarters, China, December, 2019

In the conventional literature, there are two streams of debate regarding the impact of state ownership on international operations of CMNEs. On the one hand, the nature of state-owned companies means preferential access to the resources of their home key institutions, which has been affirmed previously. What is novel in this research is that empirical evidence suggests that the state-owned nature of CMNEs may enjoy strong local legitimacy in some developing host countries. This is in contrast to the perceptions of similar phenomena in developed countries, where the political objectives and distinctive philosophy of Chinese state-owned MNEs are frequently questioned (Globerman & Shapiro, 2009; Meyer et al., 2014). Some argue that state-owned CMNEs face more institutional pressures than non-state-owned companies because they are thought to bear a strong political resemblance to their home government (Kostova, Marano, & Tallman, 2016). Thus, the location of the investment is defined as one important variable affecting the legitimacy of state-owned MNEs in the host market. The situation may be complex in a particular host country, most notably in less-developed host markets.

### **5.2.3 The role of availability of the labour force**

In light of the analysis of the literature, potential factors derived from the contemporary status of home and host labour forces are listed as one aspect that appears likely to be indirectly correlated with government facilitative

enforcements. From the macro perspective, the collected data implies that the rising cost of labour in the home country and the reluctance of senior technicians to accept international assignments are two reasons which motivate the case company's shift away from the traditional ethnocentric international HR strategy towards HR localisation. The following extracts outline the reasons for the case company's change in international HRM strategy.

*'We tried to promote HR localisation across the organisation for many years. One expatriate's cost is almost three times the cost of a local employee. The gap is more significant at the manual level.'*-Top Manager, Headquarters, China, September,2019

*'Labour costs in China have risen several times over the past few years, but labour costs in Thailand have remained relatively stable for years.'* -HR Manager, Subsidiary, Thailand, September,2019

*'Not only do we require skills, but also practical experience. These senior technicians are hesitant to travel abroad due to family obligations and the hardship of most international projects. We have to look for young people and train them through the practices of international projects. It at least takes one big-scale project to develop one qualified technician. Therefore, the talent pool is far from being able to keep up with our international expansion speed. In the future, there will be an increasing scarcity of front-line professionals.'* -Line Manager, Key Project, Thailand, September,2019

However, based on direct observation and internal records, it appears that the HR localisation strategy is currently constrained in its implementation. To ascertain why, one salient theme emerged from the dataset--labour scarcity in

the host country, which is defined as an inadequacy of skills competence and productivity of local work-forces. As verified by human resource experts in Thailand's subsidiary and project divisions, there is a skill/technical gap between home and host engineers and staff. Below are more comprehensive examples given by line managers.

*'Most local workers are semi-skilled, somewhat inefficient and basically not very good at using auxiliary equipment. For instance, they generally have a weaker awareness of safe construction when working at height.'* -Line Manager, Key Project, Thailand, September, 2019

*'Technical positions are classified according to their degree of difficulty. On a more basic level, the one-off on-site simulation may be stressful for those local workers to comprehend. However, in certain positions, it can create a slew of complications if the local workers are unable to read the blueprint or are unfamiliar with the materials.'* -Line Manager, Key Project, Thailand, September, 2019

The extent to which local foremen and managers lack skill/technical competence appears to be dependent on the host country's overall industrialisation level, as high levels of national industrialisation imply the existence of adequate local platforms for cultivating qualified talent. As the technical director of the case company said:

*'We need technicians with a solid knowledge base and an abundance of experience. Although Thailand has developed a certain amount of human capital in the civil construction domain, they continue to lack technical talent in the installation domain due to their country's relatively weak*

*industrialization base.’ -Line Manager, Subsidiary, Thailand,*

*September, 2019*

Considering the excerpt above, it is clear that the host country's low level of industrialization could result in a shortage of certain types of technical expertise. Thailand has continued to expand its pool of skilled labour along with the country's construction sector expanded after 2012 (Kokkaew & Koompai, 2012). That is why the case company is more likely to send only key technicians to Thailand's overseas operations and strives to optimise the use of the country's cheap labour force. However, it is difficult for the case company to find an adequate and well-educated workforce to fill the positions for overseas operations in Ethiopia. Localising human resources is a much more difficult strategy to implement in Ethiopia. The following excerpts from the internal inspection report affirmed the HR supply shortage faced by Ethiopia's overseas operations at the beginning of its establishment<sup>1</sup> :

*‘The local area is mostly dominated by southern indigenous people, basically in a primitive state, featuring low population density and zero basic equipment. They can't even do simple manual tasks. The key parts of construction have no choice but to rely on the Chinese dispatched workers. We have to recruit the labour teams in the capital.’*

As a result, the availability of labour in the host country, in terms of labour costs and labour competence, is believed to have an effect on the HR strategic execution of the CCMNE's international operations. The scarcity of available

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<sup>1</sup> Internal Document Records in Chinese (2019)

labour can partially explain why Chinese contractors sometimes greatly rely on their own dispatched workers in overseas project sites.

### **5.3 Summary of the impact of key institutions in home and host countries**

To summarise, the preceding subsections addressed and indicated an association between the forces arising from key institutions in the home and host countries, such as the government and regulatory authorities, and the IHRPs implemented in the CCMNE's overseas operations. The impact is most evident in the fields of recruitment and selection, performance assessment, compensation practices, and employee relations. Table 5-1 summarises and explains the relationship between explicit and implicit factors originating from key institutions and the HR correlates employed in the case company's overseas operations.

The major findings in this section corroborate previous findings, emphasising the strong correlation between home/host government and CMNEs' human resource behaviours (Khanna, 2009). It expands the research scope by focusing on the manifestations of explicit, latent, and implicit government influence on the deployment and implementation of IHRM and its consequences in the CCMNE's overseas operations. Particular emphasis is placed on the relationship between the home and host governments, as well as between governments and business. Additionally, it contributes to the literature by emphasising the vulnerability of CMNEs in the construction industry to political and legal uncertainties, as well as the risks associated with international employment practices' legality and legitimacy. The new prominent theme, which recognised as the effect of organisational ownership on organisational culture, is believed to have far-reaching implications for selection, promotion, performance evaluation, and



labour relations in state-owned CCMNEs.

The CCMNE's HR localisation strategy is argued to be influenced by the availability of skilled labour in the host country. This factor may help to explain why, in some instances, Chinese contractors bring their own employees to host project sites.

Table 5-1 Interactions between Key institutions and International HR Correlates of the Case Company

<b>Institutional Influence</b>	<b>Key Manifestations</b>	<b>Implications for IHRM in case company</b>
<b>Policy Incentives</b>	<ul style="list-style-type: none"> <li>✧ impact on the strategic decision-making of top management</li> <li>✧ increased strategic position in overseas markets</li> <li>✧ key resource endowments from home government</li> </ul>	<ul style="list-style-type: none"> <li>• international staffing orientation</li> <li>• deployment of compensation practices</li> <li>• visa &amp; working permit process</li> <li>• accreditation of Chinese-specific professions</li> <li>• legality and legitimacy of employment practices</li> <li>• promotion and performance appraisal</li> <li>• practices of labour relationship</li> <li>• constraints on HR localisation</li> </ul>
<b>Regulatory Enforcements</b>	<ul style="list-style-type: none"> <li>✧ entry threshold of dispatched employment derives from employment law</li> <li>✧ diversity of fiscal-related requirements</li> </ul>	
<b>Latent Influence</b>	<ul style="list-style-type: none"> <li>✧ political connection</li> <li>✧ resource exchange</li> <li>✧ ownership specialty</li> </ul>	
<b>Availability of Labour-force</b>	<ul style="list-style-type: none"> <li>✧ impact of labour cost and labour competence</li> </ul>	

Source: compiled by the present researcher based on data analysis

#### **5.4 The impact of national culture differences**

Cultural differences between the home and host countries are assumed to shape IHRM practices in the CCMNE's overseas operations by influencing managerial ideology and behavioral norms of employees with varying national cultural traces (Hofsted, 2005). This section aims to specifically examine the association between cultural factors and the implementation of key HRPs in overseas operations of the case company. The classic Hofstede's cultural index model (2005) is utilised to painstakingly examine the data, which is mainly collected from the headquarters in China and overseas operations in Thailand.

Making comparisons between China and Thailand on six cultural dimensions derived from Hofstede's cultural index model (see Table 5-2), the national culture traits of the Chinese community are characterised by a relatively high score in the areas of power-distance, collectivism, masculinity (i.e. society is driven by achievement and success), uncertainty tolerance, long-term orientated (i.e. programmatic society) and relatively restrained society. Incorporating Hofstede's (1993) research and the cultural index's current score (see Table 5-2), Thai society is typically characterised by less power distance than the average score for Asian countries (71), collectivism expressed through strong interpersonal relationships, femininity, uncertainty avoidance, a short-term oriented (i.e. normative society), and fairly restrained society. With the score index below in mind, it is rational to emphasise how distinct cultural characteristics manifested in the three dimensions of masculinity, uncertainty avoidance and long-term orientation may affect the HRM practices in the CMNE's overseas operations, because the cultural variations between home and host countries mainly reflect

on these three dimensions.

Table 5-2 Score of Cultural Dimensions Between China and Thailand

Cultural Dimensions	China	Thailand
1. Power-distance	80	64
2. Individualism	20	20
3. Masculinity	66	34
4. Uncertainty Avoidance	30	64
5. Long-term Orientation	87	32
6. Indulgence (control of gratification of desires)	24	45

Source:retrieved from [www.Hofsted Insights.com](http://www.Hofsted Insights.com)

**Masculinity vs Femininity:** The degree of masculinity indicates the extent to which the focal society will favour the core value of ‘*survival of the fittest*’ or ‘caring for others’ or the ‘quality of life’. At the workplace, it usually manifests itself in how the employee usually solves conflict. Is it to let the stronger win or compromise? The data show that when some Chinese expatriates travel to developing countries, their general attitude of ‘the stronger is superior’ (Cooke,2014) appears to impair their sensitivity to local conditions, which influences the deployment of appropriate IHRPs locally.In the literature, management practices in developing countries are typically characterised by a lack of ‘dominance effect’ (Smith & Meiksins, 1995). The ‘dominance effect’ of HR practices determines the extent to which locally bound HR practices can be easily diffused. The host country that performs better economically in the global economic structure typically exhibits a stronger ‘dominance effect’ in its domestic managerial practices.

For instance, the CMNEs were reported to absorb and transfer the practices

established in the UK subsidiary back to China to emulate the advanced practices of the developed market economies (Zhang & Edwards, 2007). Similarly, driven primarily by success and competitiveness, Chinese line managers may believe that the home-originated managerial approach is more effective than the local-bound pattern when operating in a country lacking relative economic advantages. The following perspectives demonstrate how the 'worship of the stronger' mindset of Chinese expatriates can affect human resource correlations in business since Chinese expatriates generally believe domestic managerial styles are more efficient.

*'I can accept the leadership of host managers as long as their ability convinces me. Our company can complete a project within 10 months which takes 3 years for local counterparts. I believe, at least now, to follow our way is more reasonable.'*-Line Manager, Key Project, Thailand, September,2019

*'Normally companies in Bangkok only take an hour off at noon and leave work early to avoid Bangkok's terrible evening rush. But the company doesn't start until 3pm as it has to cater to Chinese expatriates' traditions of taking a nap at noon. For this reason, I had to go and apply for the permission from the Labour Department.'* -HR Manager, Subsidiary, Thailand, September,2019

*'The Chinese manager appears to be more comfortable with the Chinese management style. While some of the approaches are effective, others do not appear to work in Thailand. However, they are always confident in their ways. This is not a very discrete attitude to take when dealing with local*

*employment issues; some approaches may have serious legal ramifications on a local level.'*-Business Consultant, Subsidiary, Thailand, September, 2019

Indeed, the primary literature indicates that, in some instances, Chinese managers prefer to maintain their indigenous managerial style/approach while working in host countries (Chen et al., 2007; Cooke, 2014). One underlying reason behind this phenomenon could be the pervasive obstinacy of lacking of 'global mindset' of international managers from the emerging markets (Brisco & Schuler, 2004), which might prevent CMNEs from effectively responding to local sensitivities. From a cultural standpoint, this thesis further argues that Chinese business thinking is generally driven by the attainment of efficiency and achievement. Their strong desire to maximise productivity might lead them to adopt different international orientations when operating in developed and developing countries.

*'We tried before to assign a host manager to manage the Chinese team. But it didn't work well. It's hard for a host manager to manage Chinese workers. The language barrier is one important issue, but I think the skill difference is the main reason. All dispatched workers have one belief, to complete the project on time and go home early. They have more trust in Chinese managers'* -HR Specialist, Key Project, Thailand, September, 2019

In contrast, in Thai society, where femininity is highly valued, compromise and negotiation are prevalent. Most Thais are influenced by the '*jai yen yen*' culture (Kokkaew & Koumpai, 2012), which refers to stay calm and take it slowly. The

literature has consistently stated that the Thai core value system places a higher premium on intra-harmony and smooth interpersonal relationships (Komin, 1995).

The previous claim is affirmed by the following excerpts:

*'You cannot even speak with them too loudly, otherwise they will mistakenly think you are scolding, and they might consequently go to sue you or resign without notice. They always tell you to take it slowly, don't freak out. But it is hard for us to stay calm when we are always under pressure to catch up the time schedule of projects'-Line Manager, Subsidiary, Thailand, September, 2019*

The Thai community's general emphasis on quality of life and equity appears to have resulted in widespread dissatisfaction with the case company's compensation composition, which was found to be deficient in terms of comprehensive and flexible benefits, and the stressful work environment. It in turn might increase the turn-over rate of host employees. The following excerpts imply this connection:

*'It is more important for them to have fun at work than to make money. For Chinese employees, I'd do three shifts if I could earn enough money. But for Thai people, you have to show caring from the deployment of extra incentive programs, such as paid trips, etc. They will quit if they are not happy doing what they are doing, and there is nothing you can do about that.'* -Line Manager, Subsidiary, Thailand, September, 2019

*'When I was in the old company, the work atmosphere was more relaxed and the leader would rarely keep pushing progress. But it is true that the*

*work efficiency would be slower.'*-Host staff, Subsidiary, Thailand,

*September, 2019*

Thus, from a cultural perspective, it is worth noting that individuals' cultural traces are reflected in their pursuit of achievement/success or equality/quality of life, which has implications for the diverse work norms and productivity of employees from various nations. It can also reshape top management's international orientation in terms of effectively managing global integration and local demands in general, as well as human resource management practises in particular, across multiple host markets. This assertion broadens the scope of the 'spring-board' theory (Luo & Tung, 2007) and the 'Janus Face' claim (Thite et al., 2012), which demonstrated that MNEs from emerging markets may employ diametrically opposed managerial practices in developed and developing host countries. Additionally, evidence suggests that this cultural factor can affect an employee's recognition in terms of compensation satisfaction. Different aspirations of individuals in different cultures may have an effect on the incentive effectiveness of implemented compensation systems, which have an effect on the company's turnover rate.

***Uncertainty Avoidance vs Tolerance:*** The second significant cultural factor, which is considered to pose a significant challenge to the case company's cross-cultural HRM is the attitude difference between home and host nationals toward uncertainty avoidance. It is clear that Chinese expatriates prioritise achieving the business goal through any means possible rather than adhering to a structured procedure or regulatory requirements. This proclivity for ambiguity was demonstrated in Thailand's subsidiary's response to non-acclimatization. Thai

employees are generally perceived as being uneasy with change and uncertainty, especially when it comes to their role and scope of work. Generally, their requirement for rules is justified by emotional needs, even if rules are not always necessary in all conditions (Kokkaew & Koompai, 2012). The excerpts below illustrate a variety of cultural traces, the majority of which manifest themselves in work behaviours.

*'We've become accustomed to periodically altering the design and construction approach throughout the process. It is common in China. That is, you cannot assume you are fully prepared from the start and will not require any feasible modifications. But the local engineers apparently don't think the same way. They usually refuse to make any changes. If you ask them to make some modifications, they aren't happy.'* - Top Manager, Subsidiary, Thailand, September, 2019

*'Local people barely accept tiny changes. For instance, if there are insufficient workers, additional workers are immediately added. When the rainy season comes, the construction plan is immediately changed to avoid project delay. But the host managers always stick to the old plan.'* - Line Manager, Subsidiary, Thailand, September, 2019

Indeed, several senior Chinese executives have stated that resilience to regional-specific uncertainties is critical in this high-risk construction market. International operations, in particular, expose the company to increased risk. For instance:

*'We continuously update and explore new construction methods in order to meet climatic and environmental specifications. I think maintaining a flexible attitude and adaptability ability are important to overcome novel*



*challenges in the international market.’ -Project Manager, Subsidiary,  
Thailand, September, 2019*

As a result, this partially explains why the case organisation has adopted decentralised and ad-hoc recruiting and selection practices at the project level, which are supposedly designed to enable rapid response to unexpected employment issues. However, it seems to easily result in violations of legal compliance in particular host countries, which typically resist flexible instructions when it comes to a massive labour employment issue. Thus, the traditional pragmatic managerial mindset of Chinese expatriates, who believe that rules can be adapted to the circumstances, may exacerbate the violation risk of CCMNE.

*‘I was confused as to how come different project departments have the authority to conduct recruitment all by themselves? It is actually really dangerous because it might cause violations of regulatory compliance since not every project manager is familiar with local employment law.’-  
Local Officials, Thailand, October, 2019*

*‘The local regulatory authority required us to provide routine paperwork for reporting daily employment activities, but it’s too messy here so we couldn’t do it appropriately. Because of that, we paid for our carelessness with weeks of downtime for rectification.’-Line Manager, Key Project,  
Thailand, September, 2019*

Additionally, the ambiguity in the areas of IHRM has an effect on the case company's repatriation practices. Concerns about proper repatriation procedures are frequently raised by participants as a new theme which underpins the unwillingness of expatriates to take international assignments. Employees are

expected to be anchored by professional expertise in this skilled-oriented sector, and international assignments can be a significant opportunity for expatriates to upgrade their specialist skills, managerial competence, and international experiences (Suutari & Taka, 2004). However, the case company's senior managers and engineers are considered to be somewhat hesitant to accept foreign assignments. When asked why, participants unanimously stated that they are suspicious of expatriation tasks' contribution to their career development because there is no clear protocol or policy governing repatriation practises. For example,

*'There is no clear career path for us to follow up. I mean, no specific policy instructs us to consider any promotion possibility after we repatriate. The headquarters encourages us to conceive of expatriation as a good learning opportunity, but a road map is necessary to motivate us to take this challenging international work.'* -General staff, Key Project, Thailand, September, 2019

Given the previous literature, which suggests the inter-personal relationship (*guanxi*) is a salient feature of China's society and would exert a strong influence on the career development of individuals (Bian, 2002; Wong & Slater, 2002). To detach from the administrative centre but without a clear policy directive may increase expatriates' uncertainty about their individual career development. This is one possible reason attributed to case company's international talent shortage challenges.

***Long-term Orientation vs Short-term Orientation:*** Long-term orientation is

defined as 'future-oriented' (Warner, 2010), and it is a critical component of China's dominant Confucian value system. Confucian value system encourages thrift and efforts to control the short-term desires for preparing the future good. The diversity of this cultural dimension appears to underpin the vastly diverse work ethics of home and host workers to some extent in this case. For instance, in Thailand, the subsidiary would pay host workers twice a month, but in Africa, time is shortened to once a week; in contrast, for Chinese expatriate and dispatched workers, monthly payment is the most common method. In general, when examining the previously mentioned 'dual-track' compensation system, it is characterised by employing a shorter interval at the lower entry level.

*'We have to pay local workers in the shorter interval, otherwise their lives might be a problem because they don't have a plan to save money for the future like the Chinese. They spend the money immediately when they get it.'* - Project Manager, Key Project, Thailand, November, 2019

As a result of the foregoing extracts, it is clear that employees at the host site appear to have a more short-term orientation than Chinese employees, as evidenced by the following line managers' quotes:

*'It is normal for Chinese people to work overtime throughout the month without a break. But for local workers it is impossible. Some people would rather mess up the machines than work overtime. There is nothing we can do about this, except to use less local labour when the work schedule is tight, so as not to delay the work.'* - Line Manager, Key Project, Vietnam, September, 2019

*'It's no exaggeration to say that for the first two months after our team arrived in Thailand, we had no time to walk outside this project site. We want to work harder and complete this project earlier.'* –Line Manager, Key Project, Thailand, September, 2019

It is easy to deduce that Chinese employees who value long-term benefits are more willing to consider deferring gratification, such as relax time, in order to lay the foundation for a more fruitful future. This is consistent with the main stream literature, which argues that hard work and the delay of gratification are two important components that constitute the Confucian work ethics of the Chinese (Lim & Lay, 2003). It is widely acknowledged by the Chinese community that hard work leads to good results (Slabbert & Ukpere, 2011), and long-term fruit and security for the individual family (Harrell, 1985; Warner, 2010). This may help to explain why Chinese dispatched workers' basic pay is directly transferred to their domestic bank account or even to a family member's account for family support savings. This truth shapes the way CMNEs extrinsically pay their local workers. It also explains in part why CCMNEs adopted a complex 'dual-track' compensation approach in their overseas operations.

Chinese workers' high productivity, diligence, and skill-set will prompt the CCMNE to rely on Chinese dispatched workers, at least to have them fill key technician positions. The diligent spirit of Chinese dispatched workers tends to be more creditable in the project-oriented sector, where time and cost overrun are a constant hazard (Huang & Chen, 2016). The traits of hard work and tolerance of hardship have been conceived as the critical determinants contributing to the 'Chinese Speed miracle' (see Corkin, 2012). However, this disparity in work ethics

between home and host workers has resulted in a stereotype of a few Chinese managers as host employees seem not to consider themselves as the insiders of this organisation. As a result, when vital or emergency work is required, the Chinese managers immediately show greater confidence in their '*own people*'. The distrust between PCNs and HCNs might erode the sense of belonging of HCNs and even impede their career development. This may furthermore lead to demotivation of Chinese employers for training, developing and maintaining local talents given the possible high turnover rate. Therefore, this might be one potential reason that drives international managers to choose short-term validity recruitment and selection practices in the international market at its initial stage.

Summing up, Table 5-3 below illustrates the effect of key national cultural dimensions of uncertainty tolerance, masculinity and long-term orientation on the deployment and implementation of HR practices in the overseas operations of the CCMNE by shaping employees' mindset and behaviours. Drawing on the collected data, this thesis affirms that national cultural difference is a key influential factor that has a number of implications for the deployment and implementation of IHRM in the CCMNE. Cultural characteristics such as long-term orientation, in particular, appear to profoundly shape human resource practices in the labour-intensive and productivity-driven construction industry, which mainly manifests itself in the distinct work ethics of employees from different cultural backgrounds. Furthermore, the findings confirm that Confucian values have a greater influence on the rationality of modern international HR management of CMNEs, with a focus on collectivism (Cooke, 2011), uncertainty tolerance (Fang et al., 2008), thrift, and hard work (Warner, 2010). However, in

this case, the previous assertions (see Schuler&Rogovsky,1998) about the interaction between uncertainty avoidance and compensation practices of MNEs are irrelevant in this case.

Table 5-3 Key Cultural Factors and International HR Correlates in the Overseas Operations of the Case Company

Key Cultural Influential Factors	IHRM Correlates
<b>Uncertainty Tolerance</b>	<ul style="list-style-type: none"> <li>• The pragmatic adaptability managerial mindset of international managers legitimises the popular utilisation of decentralised and ad-hoc HR practices across borders; but it might relax international managers' vigilance and easily lead to violations of local employment compliance.</li> <li>• The ambiguous HR policy results in an implicit repatriation system which demotivates the willingness of Chinese expatriates to take international assignments.</li> </ul>
<b>Masculinity-Dominated</b>	<ul style="list-style-type: none"> <li>• It might affect the mindset and behaviour of international managers to adapt to local specifics in general and HRM practices in particular when operating in different host markets.</li> <li>• It affects the effectiveness of practices in compensation and motivation, which have an association with the turnover rate of overseas operations (local employees in particular).</li> </ul>
<b>Long-term Oriented</b>	<ul style="list-style-type: none"> <li>• It underpins the distinctive 'dual-track' compensation system in the overseas operations of the case company.</li> <li>• It drives the adoption of generally short-term validity international HR practices towards host employees in the areas of recruitment, selection, and development.</li> </ul>

*Source: based on author's data analysis.*

### 5.5 The impact of industry characteristics

As a pillar industry of China's economic growth, the construction industry's decentralised, labour-intensive, project-based, and risky characteristics set it apart from other industries (Loosemore et al., 2003). Three industry

characteristics stand out in the dataset when analysing the correlation between the nature of the industry and the implementation of key IHRPs in CCMNE's overseas operations. The three industry factors are classified and labelled as project-based, technical-oriented, and stakeholder-focused.

***Project-based:*** Project-based is one critical characteristic of a construction company, which determines its nature as fragmentary, with temporary teams, as well as being financially and time sensitive (Belout & Gauvreau, 2004). Those industry features make effective HRM more difficult (Kokkaew & Koompai, 2012). Due to the temporary nature of project departments and an uncertain work climate, it is difficult for construction firms to recruit and retain skilled talent. The following quotes exemplify this human resource challenge faced by the case company:

*'Most of the local employee and labour teams we used to recruit and cooperate with would resign after the completion of the project, because no one can ensure the new contracted project would locate in the same region and some of them are reluctant to move frequently. So it is really hard for us to retain those talents even though we have devoted time and money to train them.'*-HR Manager, Subsidiary, Thailand, September, 2019

*'Most locals don't prefer to work in this sector because of low stability. They would like to work in a factory because most of them might presume a foreign construction firm would not be operating in the host market for the long-haul and are most likely to leave after completing one or two*

*projects. It's very hard for us to attract talents.' -Project Manager,  
Subsidiary, Vietnam, September, 2019*

Additionally, the difficulties inherent in overseas projects and the requirement for high mobility tend to exacerbate both the younger generation's and experienced senior experts' reluctance to move internationally. As a result, during the interviews, the top managers emphasised the scarcity of talent in general and the scarcity of foreign talent in particular.

*'We now confront a serious HR challenge. Some of the young expatriates who came along for their first international project are gradually reaching a new life stage and they might prefer to go home. However, we don't have enough qualified successors. Sometimes they would rather resign. It is such a pity.' -Top Manager, Headquarter, China, September, 2019*

*'Most international work environments for us are very harsh, especially in Africa. At the beginning of the project, we had no electricity, no clean water, and no food. I have a co-worker with a pregnant wife at home. He can only call her once a fortnight because there is no cell phone signal. No one would like to go abroad, so no one became the successor. It's more likely that if you take the international assignment, you'll leave home forever. Many of the current project managers have worked overseas for decades.' -Line Manager, Subsidiary, Thailand, September, 2019*

Furthermore, the temporary nature of international projects also affects the systematic delivery of training programmes and the effectiveness at the project level. Ongoing projects seem to be the basis for ensuring good training for frontline foremen and engineers. As one interviewee referred to:



*'The instability of the project led to difficulties for the company in carrying out systematic and coherent training programmes. Usually, we need to cultivate talent through one or two projects. If we don't have successive projects or the local talents are not willing to stay with us for longer, they will forget their skills very quickly. This is a sort of way of wasting training resources.'* -HR Manager, Headquarter, China, September, 2019

As a result, the nature of a construction firm's project-based operations appears to obstruct its employer brand and exacerbate its human resource management capability due to difficulties in hiring the right people, providing adequate training, and retaining skilled talent. In particular, there are three critical components of HRM which are inextricably related. The international recruiting and training dilemmas faced by the CCMNE may have been attributed to the case company's decision to implement short-validity human resource practices in its overseas operations, such as implementing an ethnocentric staffing approach and replicating headquarters' training practices with minor adaptations to meet local training requirements. Faced with an increasingly dire situation of insufficient international talent reserves and high expatriate costs, the case company's top executives identified HR localisation as a critical component of the company's future growth. In other words, the case company is willing to recruit and develop HCN managers and manual workers to fill in the senior management and manual level positions in the local operations.

**Technical-Oriented:** Ramamurti and Hillemann(2018) indicated that the essential technologies of construction are embodied in the people they employed, who should be equipped with sufficient managerial and technical knowledge/skill.

The extent to which a firm can employ an adequate technical and professional staff is key to the successful completion of projects (Cooke et al., 2018a). Although this sector is generally considered to be low-technology (Loosemore et al., 2003), this study argues that the growing demands for technological advancement innovation is having an effect on the IHRPs in the current case company. The industry-specific technological emphasis is reflected in the trend toward widespread use of the application of digitalisation and informatization technology (Yan & Liu, 2020). The requirement for practitioner qualification through licence acquisition, technological innovation, and extensive practical experience are prioritised.

The emphasis on technological innovation is perceived to affect the selection criteria, deployment of training programmes and benefit schemes. For example, during the interviews, several of the company's top executives stated that the company's future development strategy will focus on raising Chinese construction standards through the execution of projects requiring a high level of technical and value-added expertise. Therefore, it should push companies to expand into the upstream of industry value chain, such as the areas of design and consulting. Digitisation is also a very cutting-edge application and a hot topic in the industry at this moment. This means that the company paid more attention to the technical knowledge base of the candidates in the selection process, and specific training was set up, as narrated in the excerpt below:

*'When we choose a project manager, we have a basic requirement for educational background and professional certificates. When we recruit new graduates, we prefer to conduct a campus recruiting tour of some top*

*engineering universities. Their learning ability is important.'*-HR manager,  
Headquarter, China, September,2019

*'In the past, we relied on cooperation with external design institutes, but now we have set up our own design team and send those teammates to schools for training. We also organise frequent study tours for them to learn at some of the best institutions in the world. '*-Line Manager,  
Subsidiary, Thailand, September,2019

Professional credentials are required for practitioners, and the organisation is perceived to create an incentive scheme based on the degree of various qualifications. This is a technique for the organisation to stimulate and foster employees' enthusiasm for gaining professional knowledge and skill development. Additionally, the case company emphasises not only technical expertise development but also the importance of continued work experience for talent in this field, which explicitly legitimises the use of on-the-job training in the case company's international operations, as confirmed by these participants:

*'Last minute recruitment for technical positions is not realistic, particularly in posts related to installation. The qualified talent must not only be professionally well educated, but also possess continuous work experience, because the technology is constantly updated in the practical word. You'll find difficulties in catching up with new trends if you take gap years.'*-Line Manager, Subsidiary, Thailand, September,2019

Thus, the industry's technological emphasis may help to explain why, despite the headquarters' apparent desire to pursue HR localisation in its international operations, the practical gap persists. Because the lack of skilled local employees

may be one critical factor impeding line managers' efforts to utilise local people in order to avoid additional project costs or delays (Tabassi & Bakar, 2009).

**Stakeholder-Focus:** The construction industry is one sector which encompasses the most diverse and impactful stakeholders in an economy. Pournader et al. (2015) pointed out that to meet a wide range of stakeholders' expectations is one important criterion for evaluating the success of a project apart from fulfilling project tasks on time and under budget (Bourne & Walker, 2005; Hoegl & Gemuenden, 2001). According to the data results, stakeholder concern is most evident in the greater emphasis on the case company's practitioners' international experience and managerial competence. Numerous interviewees stated that the Chinese managers' lack of international experience and managerial competence could limit the company's competitiveness in the international market. For example, the selected comments below typify this concern:

*'There exists a gap between us and other experienced international contractors. Chinese managers possess high level technical skills but low-level managerial-related skills. In general, they lack market development ability, language proficiency, and cross-cultural communication ability, unlike other international competitors, such as India, who don't have a language problem and the project manager can act as multi-tasker.'*-  
Middle Manager, Headquarter, China, September, 2019

*'Cooperating with the owners and suppliers from other international leading companies provides a good opportunity for us to broaden our*

*international mindset and transform our lagging back operational approach to emulate the higher international standard. We do have certain gaps, particularly in terms of managerial competence. We should think about how to make our customer happy rather than only be satisfied with the completion of a project.'*-Project Manager, Key Project, Thailand, September, 2019

As implied by the preceding excerpts, the primary source of pressure is from stakeholders such as customers/owners, who impose new requirements on the international project participants in terms of internationally savvy ability, language skills, and cross-cultural management capability. Indeed, maintaining positive engagement and contact with owners is the key performance indicator for expatriates. According to this logic, stakeholder demands will inevitably have an effect on the deployment and implementation of IHRPs in CCMNEs from now to the future. For instance, the stress of maintaining efficient contact with owners will inspire the case organisation to improve employee language training and put an emphasis on intercultural management training.

In a nutshell, the section's major results confirm that the construction industry's distinct characteristics have an impact on CCMNE's IHRPs. Specifically, it highlights the correlation between the influence of project-oriented, technical-focus and stakeholder-concerned characteristics and the practices in selection, training and rewards. After all, international competition inevitably pushes CCMNEs to become more global in general. The increasing demand for technical expertise, international experience, and managerial capability amongst practitioners in the international market imply the strategic importance of the

advancement of human resource function and necessitates the future development of a more sophisticated human resource management system.

## **5.6 Summary of chapter five**

Driven by objective two and the associated research questions two and three, this chapter focused on examining the interaction between external influential factors and the implementation of key HRPs in the overseas operations of the case company. Incorporating the initial theoretical template into the main empirical findings of this chapter, it affirms that both home and host governments, regulatory enforcement, cultural difference, and industrial nature are significant elements that affect the IHRM of CCMNE. The main findings of this chapter not only contribute to the literature by affirming the basic applicability of the conventional IHRM theoretical framework in this under-cover new context as CCMNEs, but also widen the reach of the current research scope by identifying several emerging sub-themes, such as the role of latent rules in certain institutional environments.

In particular, sections 5.1 and 5.2 respond to the research question two: "How do national factors such as government, legal requirements, and cultural differences affect the deployment and implementation of key HRPs in the CCMNE's overseas operations?" Section 5.1 categorized three ways in which home and host governments might affect CCMNE's human resource management: directly through policy incentives and regulatory enforcement; and indirectly through the national labour market conditions, such as labour cost and competence. Between overt and implied control, there is a third way referred to as 'latent influence' (i.e. political connection, resource exchange and ownership specialty) affecting the

IHRM of the case company in many aspects, such as the organisational culture. As depicted in **Table 5-1**, governmental influences are perceived to affect HRM in the case company's overseas operations in a variety of ways, including the creation of an international human resource planning, visa concerns, international hiring approaches, compensation policies, and labour relations issues. Therefore, the international HRM in the Chinese state-owned construction MNE bespeaks the intervention from key institutional actors of both home and host countries.

Section 5.2 examines how the diverse cultural legacies of the CCMNE's employees from various countries may affect the IHRM in the company's overseas operations. Concentrating on the overseas operations in Thailand, this study identified the diversity embedded in the three key cultural influential factors and shows the intensive interaction with the international HRM of the case company through shaping the employees' mentality and behaviours at the workplace. Essentially, the cultural diversity manifests itself in the different perceptions and attitudes of employees towards uncertainty avoidance, success and equality, as well as delay of gratification. After all, the rationality of contemporary international human resource management for CCMNEs demonstrates the influence of values such as collectivism, tolerance of uncertainty, thrift, and hard work, as well as a masculinity-dominated setting (see **Table 5-3**).

Section 5.3 addresses research question three, "How do sectoral factors such as industry nature and international competition affect the deployment and implementation of key HRPs in CCMNE's overseas operations?" The impact of

the nature and features of the construction sector on the deployment and implementation of international HRM in CCMNE is scrutinised. There is evidence that the industry's characteristics such as project-based, technical-orientation, and stakeholder-focused are three important sectoral influential variables that have implications for selection, training, and rewards practices. The CCMNE continues to face HR challenges as it competes in international markets due to a lack of appropriate international talent equipped with management skills, technological expertise, and international experience. This dilemma necessitates further research into the efficacy and strategic nature of HRM in this particular sector.



## CHAPTER SIX:

# THE IMPACT OF INTERNAL INFLUENTIAL FACTORS ON THE IMPLEMENTATION OF KEY HRPs IN OVERSEAS OPERATIONS OF THE CCMNE

### 6.1 Introduction

Chapter Five addressed research questions two and three with an emphasis on examining how the external influential factors affect the deployment and implementation of key HRPs in the overseas operations of the CCMNE. On the basis of research question four, as stated below, this chapter focuses primarily on the interaction between internal influential factors and the implementation of key HRPs in the CCMNE's overseas operations. Given the theoretical assumption made in the initial integrative framework one (see Figure 2-10), the following sections will examine the impact of competitive strategy, organisational stages of internationalisation, and top managers' international orientations on IHRPs in the CCMNE's overseas operations. Finally, section 6.4 will summarise the chapter's major findings in relation to research question four.

**RQ 4:** *How do organisational factors such as competitive strategy, headquarters' international orientations, and the organisational stage of internationalisation affect the deployment and implementation of key HRPs in CCMNE's overseas operations?*

## 6.2 The impact of overseas competitive strategy

From the perspective of strategic HRM, the HRM in an organisation should align with the organisational strategy (Wright & McMahan, 1992). The diversity of each organisation's competitive strategy (Porter, 1980) may result in adaptation to a specific group of HRPs within that organisation, allowing for the successful stimulation and regulation of desirable employee behaviours which align with the company's key strategic imperatives (Schuler & Jackson, 1987). Porter's classic competitive paradigm (1998) summarises three key competitive strategies of business, namely innovation, quality-enhancement and cost-reduction. By applying Porter's paradigm to the collected data, which is primarily from Thailand's international operations, it becomes clear that the case company's strategic objective in overcoming other competitors is to rely upon quality differentiation. Specifically, a plurality of top-management participants believes that pursuing "*good quality of project*" and "*good faith in service*" are critical to the company's international success. Indeed, the company's motto reflects a focus on project quality and productivity, which can be considered a central value of the organisation's culture as well. The motto of the case company is:

"Quality is the result of responsibility, good faith to create value."

The high quality of products also contribute to their success in the Thailand market. The following remarks emphasise the strategic value of project quality even more clearly.

*'Our company always adhered to one key concept: only earn the money you're capable to. In other words, we stick to the proprietary area where we have expertise and strive to differentiate ourselves from other*

*international contractors by quality, technology and expertise.’-Top Manager, Headquarters, China, September,2019*

*‘We used to value profitability very much, but now we place a premium on building a Chinese brand. For example, in Thailand, we don’t have a price advantage over India contractors. However, some local property owners are willing to cooperate with us, even if it means paying a hefty penalty for the contract with their ex-contractors.’-Top Manager, Subsidiary, Thailand, September 2019*

Thanks to the above excerpts, the CCMNE appears to have lost interest in exploiting its cheap labour and raw materials, which were previously regarded as the CMNE's conventional international competitive advantages(Su & Wright, 2012). Alternatively, the case company places greater emphasis on enhancing its output value and establishing expertise in specific domains. Clearly, the company tends to pursue a quality-enhancement approach rather than win with the conventional cost-cutting strategy in the international competition.

Interestingly, another common perception among interviewees is that the case company intends to compete with competitors in the future by offering a creative service and innovative product combination. Specifically, the following excerpts from top-managers suggested the case company's ambition to develop certain novel business models, such as offering ‘ customer-customised construction services’ to various customers based on their unique requirements (i.e. budget, resource and time). It reflects the case company's strategic intent to pivot away from current quality-improvement efforts and toward the pursuit of an innovation

strategy in the near future.

*'We intend to further integrate resources to provide our customers with a customised service. For example, we provide customers with premium packages, standard packages and cheap packages. According to the different needs and budgets of our customers, we offer the best service at a reasonable price.'*-Top Manager, Headquarters, China, September,2019

*'An important development direction in the future is to extend from the construction end to the entire industry chain. For example, when we build a sugar factory, we not only need to undertake construction, but also provide major construction support to the owners, including sugarcane planting techniques, design drawings, etc.'* -Top Manager, Headquarters, China, September,2019

In general, the case company's overseas activities are dominated by the strategy of quality improvement and innovation. Given the aforementioned strategic needs, increased engagement, long-term dedication, and a pool of high-quality and adaptable employees seem essential for strategic fulfilment (Schuler & Jackson, 1987).

The data analysis indicates that the case company's international selection and training activities are primarily influenced by competitive position evolution as well. The competitive strategy, which requires increasing the efficiency and quality of manufacturing processes, unquestionably increases the demands for specialised knowledge, technical skills, and relevant ability (KSAs) of employees. The interviewees gave a consensus confirmation on the case company's focus

on global employees' KSAs, especially on the status of technical certificates, when selecting and placing the right-fit for international positions. For example:

*'The management and allocation of professional certificates is one key task of the human resources department. The employee who is placed in a specific managerial position is required to have the corresponding professional certificates or technical charter. The qualifications of a member of the project management team are one of the prerequisites regulated by industry legislation for project bidding admission, regardless of whether the project is located in China or Thailand.'* -HR Manager, Subsidiary, Thailand, September, 2019

Additionally, educational attainment has a direct correlation with workers' potential for career advancement and compensation. In other words, the evidence demonstrates that the case company uses a variety of incentive methods to increase employees' motivation and participation in pursuing higher-level professional/technical certificates.

Apart from the mandatory KSAs, it is perceived that the requirement for international assignees to possess certain personality characteristics restricts local employment opportunities. By combining interviewees' perceptions with internal documents, the three most important selection criteria for management team emerged as education background, work ethic, and adaptability. The public recruitment advertising establishes a much higher education prerequisite for entrance of new candidates (at least gain a master's degree). The global employee key competencies index highlights the willingness to work hard, to be

responsible, cooperative, and tolerant of hardship as integral personal characteristics.

*'The applicant should acknowledge the company's core values (hard work and being responsible) and be willing to obey the procedures of the organisation'-Excerpt of recruiting-ad of case company, 2020*

Additionally, numerous interviewees emphasise the CCMNE's strong commitment to global learning. The employer emphasises the importance of international operations experience of managers, which should prepare managers to deal with international challenges such as incompatibility between China-specific construction standards and international common standards. As stated by the manager of the international development department:

*'We overcome the multiple challenges posed by Thailand's and Africa's complicated weather, geographical conditions, and human capital environment and continued technology accumulation, innovation, and quality control research. The mainstay team has been nurtured throughout the accumulation of international experience, and will eventually develop into one of our most powerful engines.'*-Line manager, Headquarters, China, October 2019

The company's strategic objective is not simply to maximise efficiency, but also to renew technology in order to achieve the company's strategic objective of innovation. When an organisation views innovation as a critical component of future growth, retaining core technicians and engineers appears to be more critical than ever (Kanter, 1985). The evidence demonstrates that companies aim to retain talent with a long-term commitment to the organisation and to provide

them with significant opportunities to develop their individual competencies. The quotes below demonstrate explicitly how the innovation strategic intent is based on cultivating and retaining talents that have advanced technical knowledge and international experience.

*'We have a long way to go before we are able to provide customised service to our clients. We need to enable our employees to learn how to design, purchase, manage resources and teams under each condition. We have to seize every single international opportunity to equip our team.'*-Top Manager, Headquarters, China, September,2019

*'I was deeply impressed by the company's desire and sincerity to recruit and maintain technology experts. The chairman of the board recruited my team and helped us to settle down when I and my technical team joined this company. I was very touched and impressed.'*-Line Manager, Subsidiary, Thailand, September,2019

Additionally, the company's training structure is constantly evolving as a result of the pursuit of quality improvement and innovation development. Historically, job-related/technical training has been the primary focus of the training system, as the majority of respondents view superior time management without sacrificing efficiency as a critical factor in international performance. As mentioned by the case company's top executive:

*'We are continually breaking our own speed record. The short construction period and construction quality were praised by many experts in the industry and owners. All of these accomplishments would not be possible*

*without the expertise and hard work of our project team.'*-Top Manager,  
*Headquarters, China, September,2019*

However, this training system for short-term validity appears to mitigate the fulfillment of new strategic requirements. As the manager of the overseas development department mentioned, managerial personnel's insufficient capacity for innovation and interpersonal skills are two significant factors impeding the effectiveness of international assignments. As a result, interpersonal and problem-solving skills training are insufficient, which may jeopardise the case company's ability to implement its innovation strategy.

*'We are facing two major problems. One is the technical shortages in certain areas, particularly in design; and the other is the insufficient personal ability of managers, such as negotiating and keeping good communication with overseas owners. -Middle Manager, Headquarters, China, September,2019*

In light of the aforementioned shortcomings, the data set also revealed the training system's evolution. For example, in 2018, headquarters established a more than 3000-acre industry research park with the purpose of conducting technology research and development, manufacturing equipment, and providing training to both headquarters and overseas owners/employees. Moreover, the following excerpts clearly demonstrate the case company's dedication and faith in improving employees' innovative capacity and motivate them, such as, through the provision of specialised training programmes and study tours aimed at nurturing company's design team.



*'Through this project, we have made further technical breakthroughs. For example, we won the domestic BIM Technology Leading Achievement Award and the QC Achievement Award.'* -Line Manager, Key Project, Thailand, January ,2020

*'Our own core 'flip-chip method' can greatly increase our construction speed and reduce the construction error rate. Therefore, the technical training and input of employees is a priority to enable us to continuously carry out technological innovation and research.'* -Line Manager, Headquarters, China, September,2019

To sum up, this section finds that the CCMNE's traditional cost-leading competitive advantage appears to have waned. Instead, the quality enhancement strategy has emerged from the data and has been prioritised. The transition in competitive strategic positioning is detected to drive the evolution of the needs of global talent's core competencies, which has implications for staffing practices and the company's training plan. It is obvious that the prevalence and demand for high-level compound talents will be a crucial trend in the future to align with the case company's quality-enhancing, innovative strategic positioning. Therefore, it might be promising to see the corresponding adjustment in the areas of training design, content and methods in the future.

### **6.3 The impact of stages of internationalisation**

The primary literature asserts that the IHRM approaches are influenced by the MNE's stage of internationalisation (Adler&Ghadar, 1989; Milliman et al., 1991), which implies that distinct configurations of IHRM policy/practices may prevail at various stages of an organisation's internationalisation process. According to the

literature, a typical conventional organisational international life cycle of MNEs passes through the following stages: domestic stage, international stage, multinational stage, global stage. Different stages of internationalisation have an effect on the strategic decisions that are made in relation to the corresponding IHRM approach, which is based on resolving some of the issues stemming from the classic 'integration-differentiation' conflict. On the basis of external imperatives at each stage of MNE's internationalisation, the theoretical prediction for the evolution of an IHRM model usually entails four stages: initiation, functional growth, controlled growth and global integration (Milliman et al., 1991). The underlying rationale of this IHRM model is that IHRM policies and practices must be compatible with current 'fit and flexibility' needs of international product-market realities at various stages of internationalisation under a resource capability perspective (Kamoche, 1996b).

In the effort to examine the impact of the internationalisation stage of the case company on its IHRM approach, the distinct internationalisation process of the case company is firstly defined and termed. On the basis of data analysis, as shown in Figure 6-1, the internationalisation process of CCMNE can be described as one 'nautical adventure' of case company, which is generally categorised into four phases, namely the phases of linkage, exploitation, leverage and localisation. In general, as a newcomer to the global market, CCMNE's internationalisation phase has been marked by 'leapfrogging' at a fast speed and reliance on the headquarters' resource endowment when entering a developing country. Following that, the nature of each stage of internationalisation is explained and

discussed in relation to the associated IHRM approach employed by the CCMNE's overseas operations.

Figure 6-1 Four Main Phases of the Internationalisation Process of the CCMNE

**I. Linkage Phase   II. Exploitation Phase   III. Leverage Phase   IV. Localisation Phase**



*Source: designed by the present researcher based on collected data*

**Stage1: Linkage Phase**

*'At the beginning, we subcontracted one section of another CCMNE's contract. Later on, we strived to contract for some larger projects independently after we cultivated a capable team and established a certain local network. We cooperated with the host's leading company as they took responsibility to bid for the project and to offer the construction blueprint, we undertook the construction.'* –Top Manager, Headquarters, China, September,2019

The preceding excerpt indicates specifically that the case company begins its international expansion cautiously, with a focus on cooperating with competent counterparts and acquiring vital intangible strategic assets in international markets, such as the international know-how, international reputation and access to the global customer, etc. Collaborative partnerships (strategic alliances, joint ventures) are identified as the primary mode of entry for the case company, rather than greenfield investments, which is consistent with the literature's prevalent statements (Deng, 2009; Mathews, 2006). At this *'exploring by other's ships'*

stage, the case company's primary objective is clearly not to exploit its initial ownership advantage, but to penetrate the host market by exploiting and establishing the key network(e.g.,Deng,2012).As a result, the 'linkage stage' is referred to as the starting point of the CCMNE's internationalisation process. The quote below exemplifies this argument further:

*'Rather than to make a profit, I think offering the opportunity to our team to learn from the international market and lead partners is supposed to be the main purpose of the exploration phase. The project is small, so expatriations are enough to carry it all the work out and we didn't consider recruiting locally.'* –Top Manager, Subsidiary, Thailand, September,2019

**IHRM Interface:** The comment above clearly demonstrates that the strategic priority of the case company at the linkage stage is to “*learn from partners and to get access to the international market*”. In this stage, the evidence shows that the IHRM function is limited and most IHRM practices are conducted on an ad-hoc basis. Domestic HRM know-how still dominates the overseas operations. When the case company first entered the overseas market, it concentrated on determining how to select and compensate expatriates, as there was no local staffing yet. Expatriates served as explorers and conveyers, establishing network connections and transferring external acquisitions. Cross-cultural training was scarce since the training was formulated and conducted by the first cohort of experienced international repatriates.

*'In the beginning, the contracted project was at a small scale and limited. We were going overseas with the idea of penetrating into the host market. There was no need to recruit foreign staff or establish a human resource*

*management system since the staff sent from the headquarters were adequate.’ –Top Manager, Subsidiary, Thailand, September,2019*

## **Stage 2: Exploitation Phase**

*‘Our company used to complete a project in Ethiopia in 15 months by applying the upside-down technology, which is much quicker than the Indian subcontractor. They took six years on the same project!’ -Top Manager, headquarters, China, September,2019*

In comparison to other EMNEs that enter the developed market as latecomers, CCMNEs, at least in this case, possess certain core manufacturing competencies in certain construction domains (e.g., installation technology). These distinct advantages properly take the case company to the next stage of internationalisation: direct foreign investment and overseas subsidiary establishment. This is referred to as the ‘exploitation phase’ in this study. At this point, it is possible to discern a greater reliance on domestic strategic resources for the CCMNE's overseas survival.

*‘The establishment of the Thailand subsidiary was driven by local regulation which regulates only the establishment of independent entities in Thailand can bid and contract for local projects. At the beginning, the subsidiary could be considered as a resource distribution centre. Its survival depends on continuous ‘blood transfusions’ from the headquarters, which means the people, capital, machinery, and material support are all gained from the headquarters.’ -Middle Manager, headquarters, China, September,2019*

The preceding excerpt demonstrates how the organisation prioritises international survival by actively utilising a flow of critical domestic resources and inherent competitive advantages. The close relationship between headquarters and overseas subsidiaries inevitably results in a high degree of control from headquarters, implying that overseas operations have limited autonomy or flexibility to respond to local sensitivities regarding IHRM activities.

**IHRM Interface:** Given the increased dependence on parent resources and capabilities at this stage, the overseas operation's IHRM practice is likely to be uniformly aligned with the home-originated mode in headquarters. In other words, there is a high degree of similarity in IHRPs between headquarters and overseas subsidiaries in many aspects. In particular, the top manager at headquarters often serves as the general director of key international projects at the same time, implying that the close relationship between headquarters and overseas operations may result in replication of the IHRM at headquarters. The case company places a high value on domestic research and innovation (establishing an industry research institution at headquarters). Knowledge is transferred from headquarters to overseas operations by a synchronized training mechanism. The professional specialisation of international assignees is more valued than their interpersonal abilities or career advancement. Interpersonal and cross-cultural management trainings are now being considered since expatriates are perceived to hold approximately 80 % of the key positions. As discussed previously, the compensation method is essentially grafted from headquarters. Additionally, the following narrative describes the impact of increased parent resource reliance on the case company's international staffing and training practises.

*'The Thailand subsidiary didn't add any formality to its IHRM function until 2016. Before that, most decision-making on staffing and training was conducted by headquarters. Most expatriates were treated as if they were on a short-term international assignment when they went to the Thailand subsidiary. The internal circulation of overseas assignees is very frequent. We started to recruit locally due to the pressures of the owner. At first, the local staffing was on an ad-hoc basis and conducted by line-managers since most of them were about to take the entry-level jobs. But the situation is changing along with the maturity of the subsidiary.'* -Line Manager, Headquarter, China, September,2019

### **Stage 3: Leverage Phase**

Along with the international subsidiary's steady maturity and operational performance, the case company is seen as entering a rapid growth phase. According to the company's internal financial report, overseas sales accounted for a sizable portion of the company's total revenue over the last five years. At this point, the case company places a high value on manufacturing efficiency and international market expansion, as indicated in the following excerpt:

*'I would characterise the Thailand subsidiary as experiencing rapid growth. The operational priority is to stabilise the current market while actively expanding into new business areas.'* – Manager of overseas business department, Headquarters, China, September,2019

At this stage, the case company recognises the importance of increasing local involvement in order to acquire key local resources. The dataset demonstrates a

strong preference for leveraging the headquarters' competitive resource endowments, such as financial support and machinery materials input, as well as the host country's key strategic assets, such as cheap labour supply and local legitimacy. As previously mentioned, the high cost of expatriates is seen as a factor in maximising the operating costs of an overseas subsidiary. Additionally, the lack of foreign experience and managerial competence of Chinese managers are identified as a deterrent to the case company's effectiveness in the international market. For example, when competing against foreign emerging market rivals who enjoy inherent language advantages, such as Indian MNEs, the case company must pay considerable additional costs for recruiting and sending interpreters to international projects to ensure efficient communication with international owners and other partners. The comment below exemplifies a common view of line managers who appeal for labour localisation as a key development for the future.

*'As the projects increase, the cost of hiring numerous interpreters is going crazy. However, sometimes poor communication still happens when we communicate with owners. This is terrible. I think to recruit locally qualified staff is a better way than to spend too much money on expatriating interpreters.'* – Line Manager, Key Project, Thailand, September, 2019

Additionally, a few top executives expressed a desire for the case company to establish external legitimacy and a favourable local image through establishing positive relationships with the local community. The case company has expressed a preference for working with ethnic Chinese-owned or investment-based businesses.



*'Ethnic Chinese owners might have a natural sense of trust and closeness to us, so it is easier for us to establish long-term relationships with them.'*

*Manager of overseas business department, headquarters, China,*

*September, 2019*

As the literature has shown, personal relationships are critical for recruiting, compensation and promotions in a collectivist society such as Thailand (Kokkaew & Koompai, 2012; Lawler & Atmiyanandana, 2003). Personal ties still have a significant impact on the values and behaviours of organisational members, and consequently, might exert an influence on the business performance of foreign MNEs. For example, there is an unwritten rule that when foreign MNEs do business in Thailand, they usually need to hire some former government officials or industry leaders as consultants or manager of the company. In this way, foreign MNEs might easily ride across the barriers of host institutions and get access to the key resources of the local community quickly.

**IHRM Interface:** Given the rapidly changing market realities and increasing interdependence of local resources at this stage, evidence shows the case company begins to place a greater emphasis on implementing resources localisation, such as labour resources. As a consequence, the subsidiary developed a formal HR department and a set of practices, which aims to effectively balance the environmental uncertainties during the development phase. More flexibility in IHRM practices is critical for innovation and adaptation to local sensitivities in overseas operations. For example, the number of local staff has increased significantly at the manual-level from 30 % to almost 70 %. Meanwhile, an increasing presence of HCNs and TCNs can be observed at the

middle management level. Additionally, expatriates normally undergo additional intercultural training, such as language proficiency and foreign business etiquette. The autonomy of each overseas operation to implement a 'dual-track' compensation strategy demonstrates another aspect of adaptation to local requirements. Although the CCMNE's incremental flexibility toward international staffing, training, and compensation practices can be observed during this 'leverage phase', the headquarters' influence over certain realms, such as focus on advocating domestic R&D and a globally structured compensation structure at the management level, cannot be ignored.

#### ***Stage 4: Localisation Phase***

The majority of CCMNEs are relatively young, having begun their overseas careers in the 1980's. The case company is even younger, having begun its international expansion in the early 2000's. Currently, the case company is experiencing a rapid growth stage. To gain a holistic view of how leading state-owned CCMNEs deploy their IHRM approaches in conjunction with their internationalisation development, the supplemented data from B companies (see Table 3-6) sheds light on this subject. B Company is one of the earliest state-owned CCMNEs, which had begun going overseas in the early 1980's and ranked among the world's top 250 international contractors for seven consecutive years. Now it has established 11 overseas subsidiaries in 11 countries, including the UK, Russia, and Saudi Arabia. According to the top manager of B Company's narrative, at the company's current operational stage, the overseas operations of B company are primarily focused on localising its administration, capital, personnel, and operations.

*'After the realisation of human resources localisation, currently we strive to realize operational localisation, management localisation, and capital localisation. We strive to enhance the local legitimacy of overseas subsidiaries and greatly diminish the corporate identity as a foreign contractor. Accordingly, we give autonomy to each regional centre to create its specific business strategy.'* -Top Manager, B Company, China, December,2019

The above excerpt explicitly denotes top-management's clear intention to tap current international markets for optimising the utilisation of local resources and increasing local legitimacy of CCMNE. A long-term growth target is more valuable than one with short-term validity. As a result, increased reliance on vital local resources inevitably results in a greater propensity for adaptation to local peculiarities. The organisational decision-making process is decentralised to each regional centre to allow for a more accurate adjustment to regional uncertainties. Therefore, the CCMNE is very likely to enter the 'localisation' stage.

**IHRM Interface:** B Company has now demonstrated a long-term focus in the HRM areas on developing a cadre of expatriates and local talent who can support a continuous global expansion at both the subsidiary and corporate levels. A set of sophisticated and long-term oriented IHRM practices are detected. For instance, the HR managers of B company explained that the company employs a distinctive 'working-couple incentive plan' mechanism, aiming to encourage couples as international assignees to go abroad and settle in the host country. Dual-career families can receive significant assistance from the organisation as a result of this incentive plan, for instance, earning an extra family allowance or

assisting the spouse of expatriates in seeking jobs. Additionally, B companies are perceived to localise senior management roles at certain overseas subsidiaries where skilled labour is available, such as in Russia. Both expatriates and local employees have a long-term career path developed. As shown in the following quotes:

*'In our subsidiary in Belarus, we currently have only 12 Chinese employees and already have 150 local employees. We have fully built up our overseas talent pool.'* -Top Manager, B Company, China, December,2019

*'Generally speaking, the ratio of Chinese expatriates to local employees is about 1:5 in our overseas subsidiaries. Most expatriates are assigned to top-manager or technical director positions. For example, in the Angolan subsidiary, there is local staff member who has grown from a driver to the top manager. He has worked for us for almost 30 years.'* -HR Manager, B Company, China, December,2019

*Additionally, B company has stressed the development of interpersonal and cross-cultural training systems. The organisation provides a variety of pertinent training programmes, with a focus on language instruction, interpersonal skills development, and recognition of the host country's business law and regulation. A method of assessment is in place that focuses on workers' cross-cultural competences. It is inextricably linked to the performance assessment measure. From this point of view, it is obvious that the technical specialisation of employees is no longer the only spotlight of CCMNE but international management capabilities have received much more attention. However, successful 'two-way*

*communication' and employee swapping tend to be deficient. Specifically, repatriation activities for HCNs and TCNs, i.e., enabling local personnel to attend training, attend key conferences, or engage in the strategic decision-making process at headquarters, appear to be scarce.*

In summary, this section classifies CCMNE's internationalisation process into four distinct stages based on its resource dependence. The nature of resource dependency between the CCMNE and the external environment in each stage of the organisational internationalisation process is shown in Table 6-1, along with the consequent implications for the company's IHRM implementation. Based on empirical evidence from case companies, it is clear that case companies' IHRM approaches gradually turn away from high globalisation, which prioritises the headquarters' approach, and toward high localisation in order to accommodate local sensitivities throughout its stages of internationalisation. The following Figure 6-2 illustrates how EMNEs typically deploy and implement IHRPs in order to address the traditional 'globalisation-localisation' issue at each stage in the 'linkage-exploitation-leverage-localisation' internationalisation route.

Table 6-1 Impact of Internationalisation Stage of CCMNE on IHRM Practices of CCMNE

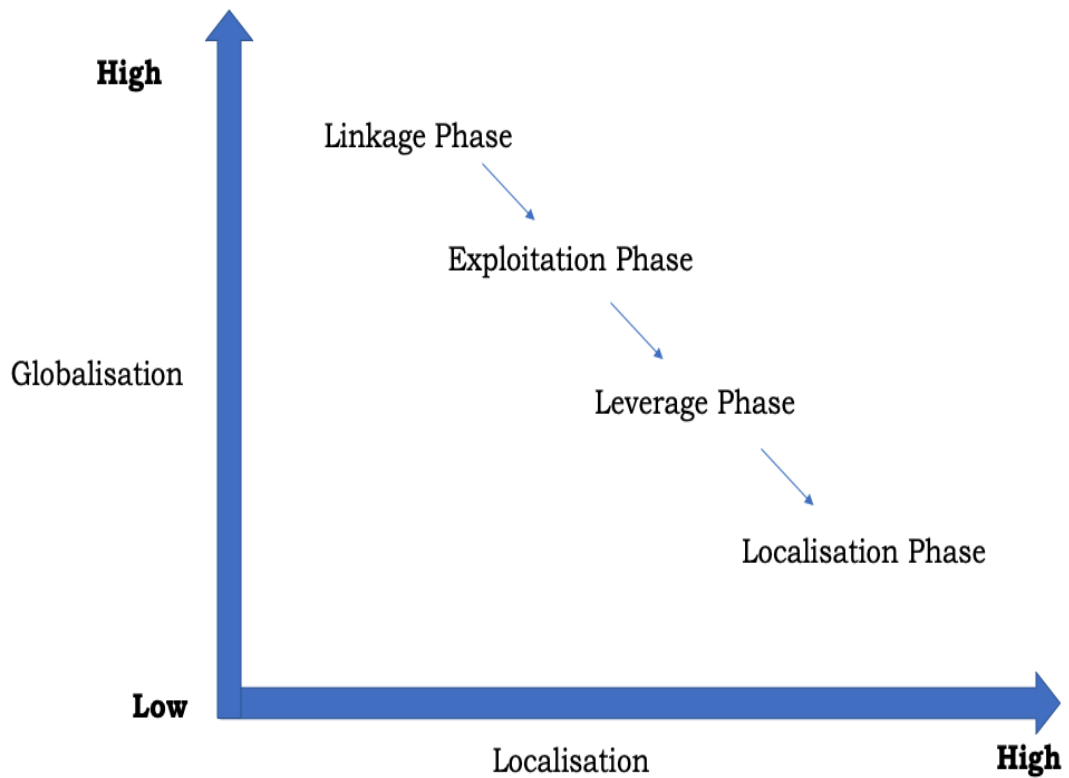
Internationalisation Stage	Organisational Context	Implications for IHRM Practices
➤ <b>Linkage phase</b>	CCMNE going abroad by making use of partners' international resources to acquire critical strategic assets, i.e. global presence, customers, etc.	The function of IHRM is limited and most IHRM practices are conducted on an ad-hoc basis. There is no local staffing or cross-cultural training yet.

Internationalisation Stage	Organisational Context	Implications for IHRM Practices
➤ <b>Exploitation Phase</b>	CCMNE establishes its own overseas subsidiaries and prioritises to survive in the host market by exploiting parent resources, including parent's people, capital and materials support.	The formality of the IHRM function builds-up incrementally. Most IHRM practices are highly controlled by headquarters. Limited local staffing and intercultural training occurs. The company places more value on the technical specialization of international employees.
➤ <b>Leverage Phase</b>	CCMNE focuses on pursuing high efficiency and reducing cost at this stage. It starts to leverage both home and host advantage resources for impelling the international rapid growth.	The overseas subsidiary develops a formal HR department and a bundle of HR practices. A greater flexibility of IHRM practices in order to impel innovation and adaptation to local sensitiveness predominates. Labour resources localisation has been emphasised, and intercultural training increases, but a significant weakness in the development of HCNs and TCNs is perceived.
➤ <b>Localisation Phase</b>	CCMNE seeks to tap the overseas market and receive international success for the long haul by exploiting the local core resources and increasing the local legitimacy.	A complicated and long-term oriented IHRM system and practices have been developed. CCMNE places greater emphasis on recruitment, development and retention of local employees. However, career mobility of foreign staff still remains scarce.

*Source: based on the present researcher's collected data*

Given the above findings, a more localised-oriented international HR approach appears to have become predominant alongside the evolution of the internationalisation of the CCMNE. This research contributes to the existing literature by presenting a paradigm to illustrate the interaction between organisational stages of internationalisation of CCMNEs and corresponding IHRM approaches based on the empirical evidence. However, this conceptual paradigm is in no way exhaustive due to the limited data sample. Given that the majority of CCMNEs have little international experience, this model can capture only a portion of their internationalisation trajectory based on their prior experience. Given changing market dynamics and human resource dependencies, it is reasonable to assume that this conceptual model does not capture the full breadth of IHRM diversity. As a result, it will take a longitudinal empirical analysis or quantitative cross-check in the future to consolidate or expand this 'OIS-IHRM' paradigm.

Figure 6-2 The Linkage Between Organisational Internationalisation Stage (OIS) and SIHRM Approaches of CCMNE



*Source: based on the present researcher's data analysis*

#### **6.4 The impact of international orientation of top-management**

International orientations refer to the divergent attitudes and assumptions of top management at headquarters about how to deploy IHRM activities in geographically dispersed overseas operations (Schuler et al., 1993). The classic EPGR framework (Perlmutter, 1969) typologies four types of orientations: ethnocentric, polycentric, global and region-centric. It reflects the strategic choice of top management to either seek centralised control over HRM systems across the world-wide units or delegate more HRM autonomy to overseas operations for responding to local specifications. Thus, the dominant characteristics of international human resource orientation can be classified into two distinct clusters: ethnocentrism and polycentrism. Caligiuri and Stroh (1995) asserted



that human resource activities deployed under the auspices of region-centric and geocentric orientations are largely comparable to those deployed under the auspices of a polycentric orientation.

To investigate the relationship between headquarters' international orientations and the pattern of IHRM in overseas activities, it is revealed that the case company has 'dual international orientations' when it comes to strategic deployment of IHRM in the overseas operations. In general, top management demonstrates a strong ethnocentric attitude towards the implementation of human resource decisions and practises for key employees, such as managers, key technicians, and engineers; whereas a polycentric mindset is more prevalent when it comes to manage employees in lower-level management positions, such as line employees, manual workers, and the like. The characteristics of 'dual international orientations' are manifested in the introduction of dual HR practices bundles within a single overseas operation which manages diverse workforces.

Specifically, the empirical evidence from this case demonstrates that when it comes to line managers in higher-level management roles, a relatively centralised selection process and standardised procedures for recruiting, training, job mobility, and compensation are employed across borders. It was reported that, in the Thailand subsidiary, 80 % of the management positions are occupied by expatriates, and in the Ethiopian subsidiary, almost 70 % of management positions are appointed to expatriates. In this scenario, the IHRM system can be viewed as primarily designed to properly organise the mobility of expatriates; therefore, it is more likely to be affected by the home-originated mode. The

excerpts below demonstrate headquarters' predominance in deploying and implementing human resource activities in the case company's overseas operations.

*'At present, Thai companies are still in close contact with the headquarters for most important decisions through video conferences. We rarely make key decisions all by ourselves.'* - Top Manager, Subsidiary, Thailand, September, 2019

*'Headquarters takes responsibility for deciding who should be selected for the key international positions by organising various forms of recruitment. It's headquarters' decision on whether to recruit locally or send expatriates. Occasionally, this is not because we are unwilling to recruit locally, but rather because the capability of local recruits falls short of our standards.'* - HR Manager, Headquarters, China, September, 2019

Thanks to the above comments, it is clear that the headquarters is largely involved in the important functional decisions at overseas operations, including the HR decisions for critical management positions. The selection criteria for international managers is relatively standardised. The staffing composition of international workforces is influenced by the fact that various host markets have varying levels of labor skills.

Additionally, as discussed in Chapter four, the close relationship with headquarters results in the establishment of standardised training methods and content in both headquarters and overseas operations. According to interviewees, managers' training needs are prioritised over others, especially those relating to

professional competence enhancement. Additionally, the application of a globalised job rotation system has assisted expatriates' intensive global mobility. Due to the nature of projects, the same cadre of key technicians and managers frequently shifts between various overseas units. Some senior management have identified the deficiency in international managers as the necessity of international managers' frequent global mobility. Given the premise that interpersonal contact between international assignees will be improved, the relationship between each operational unit within the case company will become more intimate.

*'We would possibly address a shortage of qualified international managers in the near future because we would be able to establish the second ladder of succession of international managers. What we can do now is to effectively utilise the high-potential talents, offering them more opportunities to work and learn in the world-wide environment.'* -Top Manager, Headquarters, China, October, 2019

To facilitate the frequent mobility of expatriates, compensation practises at the management level are globally standardised and generally consistent with the headquarters mode. However, it is worth mentioning that the inadequacy of repatriation systems/practices, which are expected to establish a 'two-way communication lane' between headquarters and overseas operations, appears to remain patchy. It is perceived as becoming a vexing issue which results in the unwillingness of expatriates to take international assignments, and further leads to high-turnover of key employees.

On the other hand, as highlighted earlier, due to the growing uncertainties inherent in the host markets, the case company's propensity to localise human resources from bottom to top has been detected. According to some participants, headquarters has actively advocated for and facilitated the localisation of human resources in overseas operations. Localising labour in international projects is an excellent way to begin implementing this strategy. As a result, a polycentric orientation dominates the way IHRPs are deployed and implemented at the level of manual workers. In terms of staffing, training, and compensation, the continued devolution of human resource management to the international project level is noteworthy (see Chapter Four). The following excerpt demonstrates how the decentralised staffing strategy is applied to lower-level employees who are predominantly perceived as HCNs and TCNs.

*'There is no unified policy or process for local recruitment and selection in the subsidiary and project departments. I would say most of the recruitment is conducted on an ad-hoc basis. The director of the division who proposed the new employment would be responsible for conducting the interview and making the final decision.'* -HR Manager, Headquarters, China, September, 2019

In summary, this section examines the impact of the case company's 'dual human resource orientations' on the deployment and implementation of IHRPs in its international operations. Specifically, the CCMNE's top management demonstrates a hybrid orientation that combines ethnocentrism and polycentrism while developing international human resource policies/practices for overseas operations. To manage staff in key positions at the highest levels of management,

a set of globalised HRPs is used. These HRPs are characterised by a strong resemblance to the home-originated mode. Whereas a collection of decentralised human resource practices characterised by spontaneity and diversity appear to be used primarily to manage staff in entry-level positions or at the manual level.

The above arguments support the previous claims that MNEs may aim to reconcile the competing pressures of globalisation and localisation by implementing a set of hybrid HR practices at their overseas subsidiaries (Fan et al., 2013; Scullion & Starkey, 2000). This hybrid international orientation of MNEs can effectively mitigate the negative consequences of excessive centralization or decentralisation. For instance, the implementation of an excessive degree of centralised IHRPs can fall into cross-cultural incompatibility in their various host countries, while the presence of high decentralisation HRPs may isolate overseas operations from the headquarters (Hills, 2013). Therefore, the utilisation of sole IHRM orientation might not be sufficient to respond to the dynamic realities of today's international market. It might hence impel the tendency of current MNEs to seek a dynamic combination of different types of international orientations towards their IHRP implementation (e.g., Xiao & Cooke, 2020). However, the majority of the data for this research is collected from the overseas subsidiaries operated in developing countries. Given the contextual peculiarities, it is worth mentioning that the above findings might not typify the situation of CCMNE's overseas subsidiaries located in developed countries.

## **6.5 Summary of chapter six**

To summarise, this chapter addressed research question four by examining what and how influential factors derived from internal organisation can affect the

deployment and implementation of IHRPs in CCMNEs. In short, internal influencing factors such as competitive strategy of the overseas operations, organisational stage of internationalisation, and international orientations of top managers at headquarters, are affirmed to play the critical roles in the deployment and implementation of key IHRPs in the context of the CCMNE.

In particular, section 6.1 focuses on discussing how the evolution of competitive strategy in the overseas operations of the case company exerts influence on the deployment and implementation of their IHRPs. The empirical evidence shows that the evolutionary international competitive strategy of the CCMNE significantly interacts with the practices in international staffing and training at the overseas subsidiary. The next section focuses on examining how the stages of internationalisation of the CCMNE affect its IHRPs implementation in its overseas operations. This section firstly identifies four major stages of internationalisation that the CCMNE is highly likely to move forwards into from the resource-dependence perspective. At each stage of internationalisation, the degree to which the overseas operation requires critical resources and expertise from the home and host countries has an impact on how the human resource management function is adapted and designed. Table 6-1 depicts in detail how the resource dependency demands of CCMNEs affect the deployment of human resource practices in many aspects. Lastly, in section 6.3, empirical evidence reveal a distinct trend of 'dual orientations' of top managers towards the IHRM of the CCMNE, which evidently results in the employment of different IHRM patterns at different management levels in the overseas operations.

As a late comer in the global market, the CCMNE is distinguished by its unique configuration regarding a rapidly evolving international competitive strategy, extensive interaction with domestic resource endowments, and reliance on hybrid IHRM orientations. These unique characteristics of MNEs from emerging markets contribute to the enhancement of the current SIHRM discipline, which is usually dominated by empirical evidence from MNEs in developed countries. The key findings and contributions of this chapter are further highlighted and elaborated in below table 6-2.

Table 6-2 Summary of the Impact of Internal Influential Factors on the IHRM of the Case Company

Research question	Summary of Key findings
<p><b><i>RQ4:How do organisational factors such as competitive strategy, headquarters' international orientations, and the organisational stage of internationalisation affect the deployment and implementation of key HRPs in CCMNE's overseas operations?</i></b></p>	<ul style="list-style-type: none"> <li>➤ This chapter argues that the conventional cost-cutting competitive strategy appears to be being steadily supplanted by a quality-improvement strategy and a commitment to future development by world-wide innovations. The CCMNE's strategic priorities of maintaining high product/service quality and pursuing a more vibrant international brand place increased demands on the technological expertise, abilities, and international competence of international assignees. The case company's training system, in particular, demonstrates a reforming trend that prioritises interpersonal and creative training over job-related skill training.</li> <li>➤ This chapter fills the literature gap by categorising four stages in the</li> </ul>

Research question	Summary of Key findings
	<p>internationalisation process of the CCMNE, which are termed as the linkage phase, exploitation phase, leverage phase, and localisation phase. It also establishes links between the impact of stages of internationalisation and changes in IHRM patterns in the context of an EMNE. It is clear that the CCMNE's IHRM approaches gradually shift away from high globalisation pattern, which prioritises the headquarters' approach, towards high localisation pattern, which accommodates local sensitivities throughout the stages of internationalisation.</p> <p>➤ This chapter reveals the employment of 'dual orientation' of top managers of the CCMNE, in which a general ethnocentric orientation has been used to deploy HR management in managing global high-potential staff at key positions, while a polycentric orientation has been used to manage staff at lower-grade management positions. As a result, a variety of globalised human resource management systems that interact heavily with home-generated modes are used to manage senior managers and key technicians. Numerous decentralised human resource practices characterised by spontaneity and diversity tend to be predominantly used to manage local lower-level managers and manual staff.</p>

*Source: Developed by the present researcher based on data analysis*



## CHAPTER SEVEN:

### THE STRATEGIC EFFICACY OF APPLIED IHRM IN THE CCMNE

#### 7.1 Introduction

The preceding chapters five and six addressed the research questions two, three, and four, which concern the analysis of how diverse influential factors from the external and internal dimensions affect the implementation of key IHRPs in the CCMNE's overseas operations. According to research objective three (depicted in Figure 7-1 below), this chapter aims to undertake strategic audits of the case company's contemporary IHRM approach, with emphasis on its alignment with the global business goals/objectives. Section 7.2 will respond to the related research question five as shown below by assessing the effectiveness of the case company's implemented IHRM approach, with the aim of determining how well the implemented contemporary IHRM approach contributes to this case company's global goals/objectives. Section 7.3 will discuss the associated research question six by outlining the advantages and disadvantages of the case company's existing IHRM approach from a strategic perspective. Additionally, this section will discuss the possible improvement trajectory for CCMNE's IHRM in the near future. Finally, Section 7.4 will summarise the chapter's major findings and contributions.

**RQ5:***How does the contemporary IHRM solution employed by CCMNE contribute to the attainment of organisation's strategic international goals?*

**RQ6:***How can CCMNE improve the strategic efficacy of the IHRM approach in future development?*

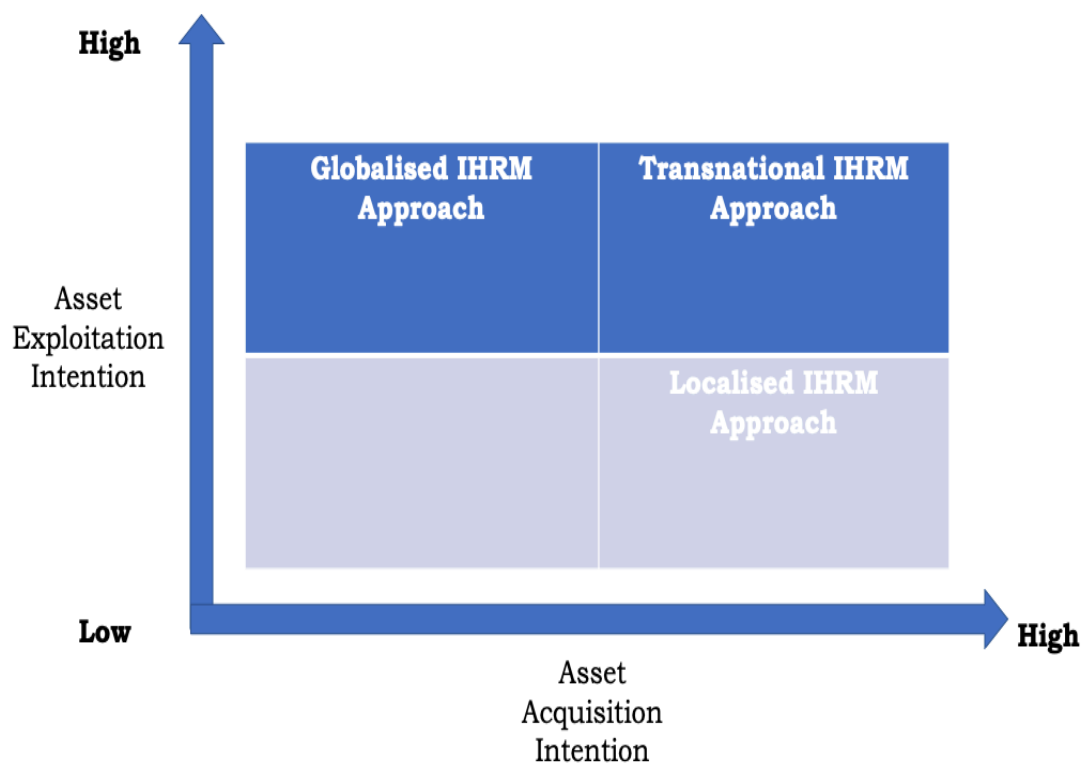
## **7.2 Alignment between the IHRM approach and global strategic objectives of the CCMNE**

Based on the SIHRM perspective, one good measure to audit the effectiveness of the implemented IHRM approach in a business is to determine the degree to which implemented IHRPs comply with the organisation's global strategic objectives (Adler & Ghadar, 1999; Florkowski & Schuler, 1994). Although it has been shown theoretically that diverse global strategies have an effect on the configuration of the IHRM, little empirical evidence is provided to illustrate how these two elements interact in the context of MNEs from the emerging markets (Björkman & Welch, 2015). This section aims to address research question five by examining the interactions between the global strategic objectives of the case company and the implementation of the IHRM approach. It analyses the collected data based upon the leads from of the conceptual framework depicted in Figure 2-9 below (initially presented in section 2.5.1), which makes theoretical assumptions about the possible relationship between CMNEs' global strategic intentions in general and their optimal choice of IHRM applications in particular.

According to the literature review and Figure 2-9, CMNEs may demonstrate varying degrees of intent to leverage domestic competitive advantages or to absorb and reconfigure advanced host knowledge and expertise. As a result, coping IHRM approaches are expected to be an effective mechanism for facilitating asset exploitation, acquisition, or both. The nature of CMNEs' global strategies, especially as latecomers to the international market, can be divided into two categories: asset exploitation intentions derived from the traditional eclectic paradigm and asset acquisition intentions derived from the 'springboard

theory' (Luo & Tung, 2007). Specifically, the aim to exploit assets is motivated by CMNEs' economic incentive to reproduce their initial ownership advantages in certain host markets to improve economic gains, while the asset acquisition intention, which is based on the 'springboard theory', places a premium on CMNE's primary objective of gaining access to host competitive resources, such as advanced knowledge, expertise and local network.

Figure 2-9 Linkage between International Strategic Objectives of CMNEs and IHRM Applications



*Source: developed by the present researcher*

Given the variations in a company's global strategic objectives, the corresponding ideal IHRM approach is classified into three distinct patterns. They are approaches to globalised IHRM, localised IHRM and transnational IHRM. The IHRM of the MNE at any level is important to its attainment of the strategic goals,

and the effective utilisation of appropriate IHRM for meeting the strategy demands will in turn facilitate the survival of MNEs (Chan et al., 2004). Having the conceptual framework (Figure 2-9) in mind, the present researcher sets forth to interrogate the degree to which the implemented overseas HRPs have embodiments in facilitating the attainment of case company's global strategic objectives.

The particular global strategic objectives pursued by the case company must therefore be identified first. Based on the data analysis, the two most frequently cited international objectives of the case company are market expansion and profit gains. In other words, the strong motives of the case company in pursuing economies of scale initially drove the internationalisation of the case company, which inevitably had implications for their strategic expectations of the international IHRM approach outcomes.

*'Being realistic, we first devoted efforts to expanding the market share in Southeast Asia, Africa and South America, and to accelerating the integration of downstream resources into the production line to maximise overseas profitability.'* – Manager of overseas development department, Headquarters, China, September, 2019

Additionally, the excerpts below demonstrate that the case company's intense domestic industry competition and overcapacity are two critical driving forces that motivate it to pursue sustainable survival and economic growth in the global new market.

*'We have to seek overseas markets. At that time, our specialisation domain in the domestic market was reaching its capacity ceiling. Although we earned almost 80% of the domestic market share, overcapacity still remains. I mean, if we don't find a new market where a large demand for construction still remains, the 'famine challenge' will happen in the near future.'*-Top Manager, Headquarters, China, September,2019

In light of the preceding comment, it appears that, rather than the conventionally dominant strategic entry strategy embraced by the majority of EMNEs, which deliberately emphasises strategic asset acquisition in the global market, 'strategic exit' (Boisot & Meyer, 2008) appears to be a more appropriate explanation for CCMNE's internationalisation. In other words, the economic disadvantages of the domestic market, which is marked by intense competition and saturated markets, drive CCMNEs to seek new markets in other host countries. Additionally, the case company's sizable domestic market share demonstrates the company's leadership position in the domestic market, with distinct monopolistic or competitive advantages over other indigenous firms when competing in the global market. Given the fact that the majority of the case company's OFDI is directed toward Africa and South-Asia, which have a lower level of social economic development than the home market and a skills gap that remains, the existence of the CCMNE's 'initial ownership advantages' in many forms is consolidated. As a result, it is rational to interpret the case company's deliberate focus as being on utilisation of existing valuable strategic assets as a means of consolidating its position in both domestic and foreign markets within a short period of time for enlarging the economic scale and maximising benefit (see Parmentola, 2011).

Indeed, in attempting to identify an existing valuable strategic asset that could contribute to the case company's growing economic output, the collected data demonstrates the presence of three major domestic resource endowments. They are intellectual capital, which relates to individuals with innovative technological skills and expertise; low-cost equipment suppliers (e.g., significant incentives for export of related machinery); and preferential financial endowment from domestic banks (loan discounts, preferential guaranteed performance). In chapter five, financial and material endowments were identified as two critical home country-bound competitive resources to offset the disadvantages associated with intensive expatriation of the CCMNE. More relevant, the majority of the interviewees reinforce the significant economic contributions of intellectual resources (i.e. innovative expatriates) as a critical organisational capability for speeding up construction progress and saving construction costs.

*'Compared with Japanese and Korean contractors, superior construction speed helps us win the bidding. Speed means less cost and more profit.'* -  
*Line Manager, Headquarters, China, September, 2019*

*'One of our key technical members improved the boiler installation assembly approach. This invention saves 1/3 of working time and nearly 10,000 US dollars in production.'* -*Line Manager, Key Project, Thailand, September, 2019*

Indeed, Chinese-specific technical capabilities in the construction sector have gained increased prominence in the global market in recent years as a result of the significant involvement of CCMNEs in the market. For instance, it is reported that 9 CCMNEs are listed in the Fortune 500 in 2020, and 7 CCMNEs entered

the top 10 of ENR 250 (top 250 global contractors) in 2018. The CCMNEs' confidence and dependence on Chinese-specific/traditional technical capabilities are also evident in their plans to export construction standards and promote reciprocal recognition of professional certificates with other countries (see No. (2017)19 Administrative Order issued by the General Office of the State Council of PRC). The following statements exemplify China's technical capability and competitiveness in high-end value construction domains where sophisticated techniques are requested, such as the construction domains of high-speed rail, roads, electricity plants, and port construction.

*'Most big-scale CCMNEs which have achieved success in the domestic market should carefully target the overseas market with concentration on bidding for value-added projects, such as large bridges and tunnels, which require high technology. They are expected to push up their positions in the global industry chain from the lower-end to the upstream. Lower-end market competition with host competitors is not encouraged.'* -Business Counsellor in the Embassy, Thailand, October, 2019.

By capitalising on the high level of demand for strategic asset exploitation due to case company's market expansion and global efficient objectives, globalised or transnational IHRM approaches should be able to effectively ensure the transmission of domestic competitive resources (capital and material) as well as technical knowledge. Given the view of the relationship between headquarters and overseas subsidiaries, when the global strategic goal is to achieve economic scale, MNEs can focus on cost reductions resulting from economies of scope and other efficiencies gained through global integration. As a result, MNEs will emphasise control over their international operations (Konopaske, Werner, &

Neupert, 2002). To assess the extent to which the application of IHRM practices contributes to the case company's global integration demands, the control mechanism model, which is based on control theory, is used as the theoretical lens(see Table 2-6). In particular, the current literature asserts that headquarters will usually employ three types of control mechanisms to fortify the relationship between headquarters and overseas units, namely bureaucratic, personal, and social control mechanisms (Ouchi, 1979; Child, 1984; Chang, Mellahi & Wilkinson, 2009).

Combining the control mechanisms paradigm with the relevant collected data, Table 7-1 details the specific practises by which the case company employs an IHRM technique to achieve its global integration strategic objectives. In essence, the strategic primary objective is to enhance the utilisation of domestic initial resources/advantages by strengthening headquarters control/coordination, and interaction across borders.

Table 7-1 Reflections of Interunit Integration in IHRPs Implementations of the Case Company

<b>Control Mechanism</b>	<b>Staffing Practices</b>	<b>Training&amp;Development Practices</b>	<b>Compensation Practices</b>
<b>Bureaucratic Control</b>	<ul style="list-style-type: none"> <li>Limited evidence</li> </ul>	<ul style="list-style-type: none"> <li>Consensus use of on-the-job training approaches across borders, with an emphasis on employees' technical and skill competencies;</li> <li>Mandatory pre-departure training for each expatriate.</li> </ul>	<ul style="list-style-type: none"> <li>Global standardisation of compensation composition, level, and payment method for employees at the management level;</li> </ul>



<b>Control Mechanism</b>	<b>Staffing Practices</b>	<b>Training&amp;Development Practices</b>	<b>Compensation Practices</b>
<b>Personal Control</b>	<ul style="list-style-type: none"> <li>• Autonomy of expatriates to make key staffing decisions, such as formulating the recruitment procedures and selection criteria of candidates;</li> <li>• Heavily involvement of expatriates in key posts in both the headquarters and overseas operations for direct monitoring and performance evaluation;</li> <li>• The headquarter executive is responsible for overseas key positions concurrently.</li> </ul>	<ul style="list-style-type: none"> <li>• Autonomy of expatriates in organising the department-based trainings in the overseas operations;</li> <li>• Pairing up each staff with the Chinese mentor for on-the-job trainings;</li> <li>• Weekly management meeting with mixed-nationality teams.</li> </ul>	<ul style="list-style-type: none"> <li>• Autonomy of expatriates in deciding the payment level, interval, and manner of compensating the manual workers.</li> </ul>
<b>Socialised Control</b>	<ul style="list-style-type: none"> <li>• The penchant of expatriates to value HCNs' Chinese language proficiency and abroad</li> </ul>	<ul style="list-style-type: none"> <li>• The R&amp;D Center in China is in charge of organizing technical training for all employees twice a year;</li> <li>• Intensive physical and virtual</li> </ul>	<ul style="list-style-type: none"> <li>• As one benefit for strengthening interpersonal bonds, it provides a canteen and a dormitory for expatriates;</li> </ul>

Control Mechanism	Staffing Practices	Training&Development Practices	Compensation Practices
	learning experience; <ul style="list-style-type: none"> <li>• Frequent visits and patrols by the headquarters' managers team to each overseas unit;</li> <li>• Fulfill the labour commissioner post with an excellent party member to deal with labour relationship issues.</li> </ul>	communication between the technical-support crews of the headquarters and the overseas operations.	<ul style="list-style-type: none"> <li>• Rewards are linked to the status of Chinese-specific professional qualifications;</li> <li>• State-interest superior is considered as one key criteria of performance evaluation.</li> </ul>

*Source: developed by present researcher based on data collection and analysis*

Given the empirical evidence in Table7-1, it is clear that the case company employs a more globalised IHRM approach, which contributes to the inter-unit integration of the CCMNE by placing an emphasis on the headquarters' one-way tight control over its overseas operations. Specifically, the introduction of an IHRM approach can be viewed as having a direct and indirect effect on the behaviours and mindsets of the people who work in overseas operations. For example, devolution of human resource management at the project level illustrates the autonomy of key expatriates in terms of determining recruitment and selection processes, training content, and then acting. Any major decisions or information generated in overseas operations will be directly transferred back to headquarters, because the main headquarters executive is also responsible for

the director position of international projects for keeping a close eye on the progression of projects. The overwhelming involvement of expatriates is critical in ensuring that international output is completed on schedule, within budget, and with a high level of quality. The quote below typifies the common view about the close relationship between headquarters and overseas operations:

*'At a difficult time in the global epidemic, the project was reaching its key phase. The general manager of the company personally came to the project department to guide and supervise. The support of headquarters provided a strong guarantee for the success of the project.'* -Line Manager, Headquarters, China, January, 2021

Furthermore, the intensive informal personal interaction between employees manifests its role as a key conduit for the transmission of domestic knowledge and expertise, technical capabilities, common values, and organisational expectations through the richness opportunities. For example, the frequent visits of headquarters' short-term technical support team and progress inspection team can promote interunit communication and integration. While the present researcher was on site conducting research in Thailand, it happened to be the traditional Chinese festival as the Mid-Autumn Festival. A team of executives from the headquarters came to the site to give blessings and gifts to their expatriates, and to spend the festival with them together. This is one of the traditional customs of the company to strengthen interpersonal bond. Additionally, extrinsic and intrinsic incentives tied to Chinese-specific technological standards/know-how and party loyalty will promote the dissemination of indigenous technical expertise, and organisational culture/values. The following excerpts illustrate the importance

of the impact derived from socialisation practises, which are mainly conducted by intense expatriate contact.

*'I learned how to promote my work efficiency here from my Chinese mentor. The working pace here is much faster than in a Thai company, and you have to work overtime on Saturdays. But I don't take it as a bad thing. I mean, my aim is to practice my Chinese proficiency and get insight into Chinese companies' managerial know-how when I choose to work here.'* -Host Staff, Subsidiary, Thailand, September, 2019

*'When we first entered the Thai market, we were not able to find suitable skills in the local market. Hence, we consciously train our selected local partners by continuously bringing them into several projects. Now they have gradually been able to adapt to our high-intensity work style, and they can also work overtime before deadlines. This is why in this project, we can achieve labour resources localisation in the construction part.'* -HR Manager, Key Project, Thailand, September, 2019

Without the constraint of formal global IHRM policy and procedure, the data demonstrates the predominance of domestic-oriented 'managerial heritage' in IHRM decisions made by the majority of expatriate managers which might reflect the propensity of expatriates to use domestic activities as a benchmark for decision-making and administration. For instance, it has been detected that international managers continue to hire temporary staff on-site in an ad-hoc home-style when faced with an unpredictable labour shortage. Nonetheless, this decentralised and casual staffing practice exposes the CCMNE to a high risk of legal violation in most other host countries. Concerning the benefit scheme, many

host interviewees complained that the implementation system is too simplistic, falling short of the majority of local counterparts. It thus demotivates the organisational commitment of host employees. The following excerpt exemplifies the supremacy of home-based norms and practises as manifested in the implementation of IHRM.

*'The local labour team is difficult to manage and the frequent labour changes actually affect our project schedule. We have tried to train some local workers to measure up to our standards and expectations in the hope of establishing a long-term relationship with them. But it is really difficult to convince them and they will remain the same over time.'* -HR Specialist, Key Project, Thailand, September, 2019

Given the preceding view, it is clear that this case illustrates the implementation of a globalised IHRM approach with lesser emphasis on local responsiveness. According to the conceptual explanation given in the previous conceptual framework, a globalised IHRM approach should be an ideal HRM solution for meeting the strategic needs of CMNEs with a high requirement for strategic asset exploitation. In this case, an organisation with a strong desire to find new economic growth points in the global market, in order to consume its initially superior but overburdened production capacity, can prioritise the exploitation and replication of indigenous competitiveness. A globalised IHRM approach will ensure the transmission of indigenous competitiveness through a tight and close relationship between headquarters and overseas units. Thus, the efficacy of the implemented IHRM approach in the case company can be affirmed in the contemporary era.

Additionally, this study confirms a previously stated claim that the CCMNE has a proclivity for using expatriates while venturing into developing countries. In essence, the CCMNE tends to implement particular IHRM initiatives in order to exert control over its overseas activities through indirect and direct personal contact rather than through bureaucratic and impersonal techniques. The conventional literature argues that personal supervision and socialisation are more productive and adaptive to the fast-changing global market climate, because it allows flexibility to respond to increasing local pressures (Ferner, 2003). The high degree of interdependence of expatriates has a significant impact on the development of an informal knowledge network for sharing critical information, experience, and, most importantly, technical know-how. Expatriates are perceived to transmit indigenous knowledge/expertise and introduce the host market through formal training and informal yet frequent interpersonal communication. Thus, the creation of a personal network can be viewed as contributing to the organisation's international economic success, as intellectual property represents an initial ownership advantage that should be fully exploited. The following statement exemplifies a widely held belief regarding the importance of interpersonal relationships between home and host employees in attracting and retaining local employees.

*'I have been with the current project manager since my first project, when he was my mentor. We developed a very strong friendship and I have followed him for the past few years, on whichever projects he went on.'* -  
*Host Manager, Key Project, Thailand, September, 2019*

Thus, this research argues that the instrument of expatriate dependency, which

is perceived to be used by the majority of CCMNEs, can be considered an important IHRM method for achieving international economic success when investigating their operations in the developing host markets. This argument parallels and extends Rui, Zhang and Shipman's (2017) claim which posited the efficiency of an expatriate dependence approach adopted by CMNEs when they venture into certain host destinations, because in particular circumstances, the strong capacity of expatriates to reconfigure information and their high productivity contribute to CMNE's international success. This research further highlights the relationship between CMNE's diverse business goals and the effectiveness of the expatriate dependency instrument.

This section answers research question five by concentrating on the auditing of CCMNE's adopted IHRM approach from a strategic perspective. Based on a theoretical connection between CMNEs' primary international business objectives (strategic asset exploitation and acquisition-driven growth) and desired IHRM solutions (globalised, localised, and transnational IHRM approaches), this research provides empirical evidence to support conceptual assumptions and confirm that a globalised IHRM approach is accepted by the case company. The globalised IHRM approach is strategic efficiency when the company primarily pursues exploiting the strategic asset. This finding expands the empirical observations regarding the effectiveness of the IHRM approach in CMNEs, which previously exclusively underpinned the prevailing assumptions of international learning and resource-seeking objectives. Indeed, the industry moderator should be considered, as some sectors in the emerging market already possess reasonably favourable initial advantages, such as the construction industry (Yiu

et al,2007). In this scenario, the conventional criticism regarding the employment of the expatriate dependency approach becomes questionable, since empirical evidence suggests that intensive use of personal control reduces the risk of losing control and supervision from headquarters, and preserves the headquarters' superior resource endowments to improve international economic performance of CCMNEs.

### **7.3 The improvement of the IHRM approach in the CCMNE**

The preceding section analysed and evaluated the effect of the case company's contemporary international strategic objective on the implementation of the IHRM approach. It is important to note that the associated IHRM approaches should develop in step with the rapid shifts in the company's international objectives. Similarly, the improvement of the CCMNE's IHRM should be viewed as a dynamic process. In this case, the majority of top managers refer to the case company's aspirations to achieve global leadership in the near future, which would be the case company's ultimate goal after gaining a good foothold in the host market.

*'The company should go through an evolutionary route from 'going out' to 'going up'. The ultimate goal is to become a world leader and squeeze into the world's Fortune 500 list by 2023.'*-Top Manager, Headquarters, China, September,2019

The preceding extract shows how the case company's strategic business objective evolves from 'defensive survival' to 'active acquisition'. Essentially, the case company demonstrates a clear commitment to transition from 'quantity growth' to 'quality development' over the next five years and beyond, with the ultimate objective of gaining global leadership.



*'In the next step, we will continue to develop our design skills, strengthen the manufacturing capabilities and construction capabilities, make full use of superior domestic and foreign resources to enhance the industry chain, upgrade the industry chain and create an advantageous brand.'*-Top Manager, Headquarters, China, November ,2019

According to the above excerpt, the case company implies that it must expand its presence in high-value domains by strengthening and innovating its technical/management capabilities and enhancing its international legitimacy in order to establish a positive brand.

However, the organisation's overall position as a major player in the global market appears to be large but insufficiently solid. Specifically, the empirical evidence indicates that the case company's liabilities of foreigners escalated as it gained significant market share in the host market. In essence, the CCMNE's weak brand threatens its ability to retain a competitive advantage and a long-term presence in the host market. The following commentary exemplifies the negative effect of being labelled as an 'outsider' or a 'latecomer'

*'In general, Chinese goods are considered as low-priced but with vulnerable quality. People still place more trust in Japanese and Korean-made rather than China-made. Especially sometimes local media would give malicious reports of it. I always hope that Chinese contractors will be able to concentrate on quality and develop a strong reputation here for achieving long-term success.'*-Host Business Counsellor, Thailand, September,2019

Thus, there is a clear indication that the case company might need to strategically focus on both strategic asset exploitation and acquisition to maintain a global presence. The case company's international competitiveness is closely tied to the proper leverage of its strategic assets, which include local legitimacy/reputation and global-based resources, capabilities and competitiveness. In particular, three main driving forces have been introduced to ensure the high-quality improvement trajectory of overseas projects, including conducting scientific and refined project management, realising technical advancement, and localising the labour force.

As a result of the hybrid strategic demands, the case company can enhance and develop a more nuanced transnational IHRM approach that is capable of effectively aligning with the evolution of global strategy. To combat the pressures of rising global unilateral trade protectionism, gaining local legitimacy is one critical approach which can shield the company from the high risk of institutional uncertainties and thus lead to its long-term success (Gardberg & Fombrun, 2006; Rindova et al., 2007). Positive legitimacy usually implies that the organisation has a good reputation, which is bolstered by the company's efforts to legitimise its operations on a community level (Sridhar, 2012). As a 'latecomer' MNE from China, which is often regarded as espousing a different philosophy rooted in the home country's economic structure (Cooke, 2013), CCMNEs must therefore strengthen their local credibility as acting as an 'insider' in the host market (Luo, 2004). Also, being an 'insider' of the host market can facilitate local/international knowledge acquisition (Brenner & Ambos, 2013) and build a long-term network with local businesses or business infrastructures (Venaik, Midgley, & Devinney, 2004). It is particularly important in certain developing countries where personal

relationships or nepotism are valued.

Additionally, as internationalisation advances, an overreliance on Chinese expatriates is identified as another restriction impeding the case company's global competitiveness. In particular, Chinese international managers are perceived to lack cross-cultural managerial skills, especially in the IHRM areas. For instance, based on data gathered from key project staff who collaborate with industry-leading Japanese owners, the majority of them explicitly mentioned the distance between current Chinese project management and world-leading project management. The Japanese owner requires a more effective and sophisticated approach to IHRM, including balancing the staffing composition with PCNs, HCNs, and TCNs in the project department and requiring additional security officers with higher level qualifications to ensure the project's safety. However, most line managers referred to their difficulty in dealing with cross-cultural management due to inadequate international experience and language capacity.

*'We pay too much attention to technical training. In fact, the lack of cross-cultural management capabilities brings us greater risks. In Thailand, we have suffered suspension of work for rectification because we neglected the local employment regulations. Many of the Chinese line-managers complain about their difficulties in managing the local staff, particularly those manual workers with lower levels of education. We have to count on local managers to manage their own people.'*-Middle Manager, Headquarters, China, September, 2019

*'The cooperation with Japanese owners has indeed helped us to further scan the managerial gap between us and international leading companies. I mean, their advanced managerial philosophy and working methods. Compared their higher-level requirement of project quality, we seemed to implement a relatively loose standard. So, we hired a professional third-party supervision agency from the UK to correct and evaluate our activities before we hand over to the owner.'* -Middle Manager, Key Project, Thailand, September, 2019

Given those comments, it is clear that the case company might prioritise the continued learning capacity for gaining international experience, knowledge and expertise, and in turn diffuse to headquarters and other overseas units to enhance the overarching competitiveness of the MNE as a whole (Cooke et al., 2018b). As a vital overseas subsidiary of the case company, the Thailand subsidiary plays a critical strategic role because it has the ability to serve as an 'integrator', implementing and inventing new key knowledge and expertise simultaneously (Gupta & Govindarajan, 1991). In this case, it is imperative to grant strategic overseas operations a greater degree of autonomy in order to acquire critical strategic assets, such as expertise, from their local staff, owners, and competitors (Lyles et al., 2014).

According to the evolution of global strategy, it is rational to suggest that the case company intentionally adopted a more localised IHRM approach in order to react flexibly to local conditions and avoid the constraints associated with the conventional tight control mode (Brenner & Ambos, 2013). Indeed, the dataset shows that executive managers are strongly committed to implement the labour-

force localisation strategy at both management and practice level, which is characterised by promoting local employment at both the management and project levels.

*'The company's top management propose six unique growth strategies to underpin the successful development of the company to become a global leader in the near future. These include accelerating the cultivation of international talents and establishing an international brand. We attempt to gradually locate the operational resources after gaining a foothold in the host market, including the human resources, like managers, technicians and manual workers.'* -Top Manager, Headquarters, China, September,2019

*'Top managers try to repeat the traditional and efficient localisation route shown by the successful Western counterparts. They always stressed resource localisation, and we are improving it now. For example, we almost localise the whole team, including those engineers and technicians, in the building construction domain. Expatriates only play the role of management.'* -Top Manager, Subsidiary, Thailand, September,2019

Localisation in HRM management is argued as one key solution to effectively manage international human resources of MNEs. The literature argues that fundamentally, HRM localisation should be reflected in the MNE's systemic investment in the recruitment, training, and retention of local employees, especially at the level of senior executives (Evans et al., 2002). Lots of empirical evidence reveals that the failure of interaction between expatriates and local employees leads to productivity loss, poor performance and even some extreme

consequences (Gamble, 2000; Lee, 2009). It should be noted that for CMNEs, localisation does not generally mean full autonomy over subsidiary practices or the application of divergence HRM practices. Instead, Fan et al. (2016) argued that, based on case studies of CMNEs, there is a trend suggesting that HR localisation can be viewed as a tactic that uses autonomy as another control mechanism for enabling CMNEs to follow their own path in managing international human resources. Also, the success of HRM localisation strategy is dependent upon its alignment with the company's strategic goals (Selmer, 2004) and top management support (Harry & Collings, 2006).

Although the case company has clear strategic readiness to localise HRM in overseas operations to a certain degree, the country-of-origin effect (Pudelko & Harzing, 2007) still dominates in the implementation of current HRPs in the overseas operations (i.e. IHRPs in the subsidiary appear to converge with the dominant headquarters' paradigm). The empirical evidence indicates a gap between professed strategy and the actual delivery of the IHRM approach in the overseas operations. For example, in terms of local staffing, the recruitment and selection processes are on ad-hoc basis, with a focus on cost-effectiveness. Career prospects for host managers and workers are usually overlooked. The overarching career development path for host employees is unspecified and has not been well developed yet. Local staff receive no formal trainings and the development of a more sustainable benefit incentive programme is still in its infancy. Indeed, some local workers have expressed doubts about the company's valuation of their contributions. The majority of them have expressed a desire to leave the case company once they have acquired Chinese-specific

knowledge/expertise.

*'All Thai companies are willing to take the western managerial approach as long as it is efficient. But I think the Chinese are more likely to stick with their own ways.'*-Host HR Manager, Subsidiary, Thailand, September,2019

To determine the underlying rationales hindering the case company's transition to a more transnational IHRM approach, the analysis reveals that an old-fashioned cost-effectiveness philosophy pervades the majority of expatriate managers. For example, the following remark indicates how expertise in one's nation of origin is judged insufficient for innovation and global perspective.

*'Many expatriates lack the opportunity to integrate into the local community. Because we are attached to a tight project time-schedule, most of our time is devoted to work. We don't have time to investigate how locals manage their companies. On the other hand, many of our managerial and technological skills are set in China, it is very difficult for us to change at once.'* -Line Manager, Subsidiary, Thailand, September,2019

Additionally, it is believed that line managers' interpretations of the HRM localisation strategy are influenced by the conventional cost-effectiveness mindset. For example, they interpret that the primary reason for localising the workforce is to capitalise on the low-cost local human resources. In essence, they highlight the benefits of lower host-country labour costs but fail to take appropriate measures to ensure work continuity of local employees by proactively investing in a long-term human resource management system. This form of myopia is predominantly driven by an emphasis on the immediate return on investment in

human resources endowments rather than on long-term strategic fulfilment.

*'Our key local workers' selection requirements are that they are pleased with the pay and have enough experience to get started immediately.'* -HR Manager, Subsidiary, Thailand, September, 2019

*'Internal referral seems the most effective way to recruit local staff because the labour market might not know our company very well. The interview and selection are mostly called out by the director who requires the talent supplement. Chinese language capacity is very important.'* -Top Manager, Subsidiary, Thailand, September, 2019

*'The number of manual workers in the construction industry is declining year on year, and the labour costs continue to grow, from 20 % of the cost to 30%-35% today, and it will be even higher in the future, just like in Japan. The company has to deploy into overseas markets in advance by effectively leveraging local resources.'* --Middle Manager, Project, Thailand, September, 2019

Several observational studies on CMNEs have shown a similar phenomenon (see Chen & Orr, 2009; Jackson, 2014). The nature of the construction industry, which is temporary and time-sensitive, as well as the devolution in HRM to the project level (Loosemore et al., 2003) seem to exacerbate the stubborn existence of the line managers' cost-effectiveness mentality. Indeed, it has been stated that the staffing policies and practises of businesses operating in such a labour-intensive sector, even if they are domestic, represent the temporality and lifespan of projects (Kokkaew, & Koumpai, 2012). As a result, it is clear that HR professionals in the CCMNE should prioritise the development of key expatriate



managers' managerial skills and global mindset. It might exert significant influence on maintaining the company's international competitiveness for a long duration (Zwikael & Unger-Aviram, 2010). Thus, the human resources professional at the case company will need to consider how to exploit high-performing IHRPs to improve individual-level international managerial skills and motivation to execute the localisation strategy. For instance, candidates' intercultural adjustment and capacity for learning should be emphasised as primary selection criteria when screening high-potential employees who will fill critical international positions (Konanahalli & Oyedele, 2016). In terms of training and growth, systematic cross-cultural training should be stressed much more, with the aim of compensating for key managers' managerial and language shortcomings. Dynamic extrinsic and intrinsic rewards should be designed to encourage expatriates' efforts to achieve long-term strategic goals (Minbaeva, Mäkelä & Rabbiosi, 2012). Career advancement may be a significant factor in why the majority of workers accept foreign assignments (Fish & Wood, 1994). It is fair to give more emphasis on building a wealthy repatriation system which values the international achievement of expatriates (Yan et al., 2002).

In summary, this section addresses research question six by establishing that the transnational approach, in conjunction with a more localised IHRM strategy, should achieve the CCMNE's evolutionary international goals in light of increased pressure from strategic asset acquisition. Additionally, it demonstrates the dominance of a strong HR localisation focus among the CCMNE's top management along with the company's advancement toward internationalisation. This finding echoes the emerging argument of some authors (e.g., Fan et al., 2016)

who note that the advent of a localised IHRM approach has been adopted by some EMNEs based on recently evidenced observations. However, this section expands on this claim by suggesting that the utilisation of a translational IHRM approach may be an important tacit facilitating future improvement of CMNEs, since the pursuit of global leadership has become a strategic priority of some CMNEs in certain promising sectors, such as construction. Additionally, this section indicates that managerial incapacity and the country-of-origin effects on the mind-set of international managers tends to be a vital bottleneck impeding the successful implementation of the top-level strategic orientation on localisation. As a consequence, the influence of expatriates' attitude on CCMNE's IHRM output needs further investigation in the near future.

#### **7.4 Summary of chapter seven**

In summary, this chapter focused on fulfilling research objective three by auditing the strategic outcome of the implemented IHRM approach in CCMNE and giving some suggestions on how to improve the strategic efficacy of IHRM in CCMNE in future development. The findings add to the body of knowledge by shedding new light on the audit criteria for IHRM outcomes and recommending that the effectiveness of the IHRM approach can be evaluated strategically rather than economically. It also implies that the utilisation of localisation tacit in IHRM should boost the internationalisation of the CCMNE(see Table 7-2 for detail).

Driven by research question five, section 7.2 examines the strategic alignment between the implemented IHRM approach of the case company and its international strategic objectives based on the proposed conceptual framework(see Figure2-9). In specific, the conceptual framework, which is based

on transaction costs and knowledge transfer perspectives, anticipates a feasible link between CMNEs' two key international strategic objectives (strategic asset exploitation and acquisition) and three associated IHRM solutions (generalised, localised and transnational-based IHRM approach). The empirical evidence indicates that the case company's internationalisation is primarily motivated by economic considerations. In other words, domestic overcapacity, the relentless search for profit, and survival drive the CCMNE to seek commercial success on a global scale with the intent of reproducing its own home success. Additionally, empirical evidence supports the assumption that the case company's current implementation of a globalised IHRM approach is heavily reliant on expatriates. However, bureaucratic control is rarely carried out by the IHRM approach; instead, the richness of transmission channels which are built and coordinated by intensive expatriates' interaction is perceived as the key mechanism to facilitate the knowledge transfer across borders, and ensure the performance supervision of headquarters. In the same way as Western MNEs, exploiting initial competitiveness can have significant implications for the implementation of CCMNE's IHRM approach. The strategic importance of intellectual resource transfer is identified, including Chinese-specific knowledge/technical know-how and expatriates.

The interconnected question six in section 7.3 aims to provide some practical suggestions for the advancement of international human resource management in CCMNEs. Essentially, this issue examines the relationship between the MNE's evolutionary strategic objectives and the improvement of IHRM in particular. Given the dynamic and sophisticated international environments faced by CCMNEs, the

change of corporate strategic goals might consequently result in the coping adjustment of its IHRM approach. The case company, which is perceived to possess a clear ambition to acquire global leadership, highlights the driving forces as refined project management, technological innovation and labour localisation strategy. Particularly, top-management at headquarters shows a propensity to promote a more localised IHRM approach. This is believed to overcome the CCMNE's limits by boosting local legitimacy, building a more vibrant global brand, and acquiring worldwide expertise and knowledge to compensate for expatriates' inherent international management incapacity. In essence, it can be interpreted as a transnational IHRM approach since the complete autonomy of overseas subsidiaries and loose inter-unit linkage may not meet with practical reality.

However, the empirical evidence implies a gap between the professed strategic level of localisation raised by headquarters and the actual implementation of IHRM practices in the overseas operations. The general managerial weakness and dominance impact of the country of origin on the mindset of international line managers can hinder their willingness to execute the HR localisation strategy to a certain degree. In particular, the simplistic one-sided understanding of localisation strategy and a conservative cost-effectiveness mindset continue to dominate expatriate managers' minds, resulting in the execution of cost-effective IHRM projects. Hence, this study calls for further research into the relationship between influential variables at the individual level, such as expatriate capacity and motivation, and the application of international human resource management strategies in the context of CMNEs in general, and CCMNEs in particular.

Table 7-2 Summary of Key Findings of Chapter Seven

Research questions	Summary of key findings
<p><i>RQ5:How does the contemporary IHRM solution employed by CCMNE contribute to the attainment of organisation's strategic international goals?</i></p>	<p>➤ This chapter indicates that CCMNE's adoption of a globalised IHRM approach is consistent with the company's international strategic objectives, which include achieving economic gains on a global scale and escaping the indeougeousmarket's overcapacity. In other words, contrary to the conventional critique of the expatriate dependence IHRM mode used by the majority of CCMNEs, this study argues that globalised IHRM approaches characterised by personal and socialised control can aid CCMNEs in achieving their strategic exploitation objectives while operating in developing host markets. This argument, however, may not be exhaustive in all circumstances, as industry and investment location disparities are two crucial moderators to consider.</p>
<p><i>RQ6:How can CCMNE improve the strategic efficacy of the IHRM approach in future development?</i></p>	<p>➤ Employing a transnationaled IHRM approach should be a major trend in the future development.Although there is a disconnect between professed strategic orientation and IHRM implementation, the localisation tacit in IHRM is recommended to facilitate the development of CCMNE.</p>

Source: Developed by the present researcher based on data analysis

## CHAPTER EIGHT:

### CONCLUSION

#### 8.1 Introduction

In light of the preceding discussion, this chapter will summarise and present the main findings from this research in line with the research objectives and questions. The primary aim of this research is to investigate how Chinese construction MNEs, in particular, manage their international workforce from a strategic perspective while venturing into developing host countries. Based on the SIHRM perspective, MNEs' IHRMs should contribute to the effective implementation of business strategies by recruiting, developing, and maintaining a pool of committed and talented workers, which is essential for a business's international survival and success (Harvey & Novicevic, 2003). Three research objectives have been identified in relation to the research aim, alongside six research questions (see Figure1-3). In brief, this study examines and investigates how a CCMNE standardises or adapts its key human resource practises (i.e. recruiting and selection, training and development, and compensation practices) in its overseas operations to the home-originated mode or local-specific conditions; what the rationale is for the particular deployment and implementation of key IHRPs; and the strategic efficiency of the CCMNE's contemporary IHRM solutions. In other words, the present researcher attempts to comprehend the rationale for and consequences of CCMNEs' IHRPs transferability and adaptation by examining the role of relevant variables across different dimensions and their impact on the CCMNE's IHRM deployment and implementation. Additionally, this research

makes several recommendations for potential enhancements to the CCMNE based on strategic perspectives.

In order to answer the specific research questions, qualitative data were primarily collected from one representative, large-scale, state-owned CCMNE. The data analysis is primarily based on data from the case company's headquarters in China and its overseas operations (i.e. subsidiary office and international project department) in Thailand. By using the template analysis method (see Figure 3-2), the data analysis process of this thesis is characterised by repeated interrogation and modification of empirical evidence based on theoretical prior themes. In detail, the research first proposed an integrative conceptual template (see Figure 2-10) for predicting potential transferability processes, reasoning, and strategic effectiveness of IHRM in the context of CMNEs based on existing literature, the majority of which is derived from western MNEs. Template one has been reviewed, revised, and developed through incorporating empirical data gathered from a single large-scale CCMNE. The key findings on the basis of each research objective and questions are highlighted in the table 8-1 below.

## **8.2 Summary of key findings of this study**

The following table summarises the key findings of this research in line with the research objectives

Table 8-1 Key Findings of this Study

Research objectives and questions	Key findings of this study
<p style="text-align: center;"><b>OBJECTIVE 1:</b> STANDARDISATION OR DIFFERENTIATION IN THE KEY IHRPS OF CCMNE'S OVERSEAS OPERATIONS LOCATED IN DEVELOPING COUNTRIES</p> <p style="text-align: center;">(RELATED TO RESEARCH QUESTION 1)</p>	<ul style="list-style-type: none"> <li>➤ In the aspect of recruitment and selection, the overseas practices of the case company show a rare degree of standardisation. The international staffing approach is characterised as 'ad-hoc', 'decentralised' and 'cost-effective'.</li> <li>➤ In the aspect of training and development, the overseas practices of the case company display a higher degree of standardisation in training content and techniques. The global standardised job rotation system and apprenticeship programme indicates that the CCMNE does not deliberately prevent the spread of core technologies and knowledge across borders. On the contrary, the company strives to upgrade the skills of local employees through the apprenticeship programme in which a Chinese technician is usually paired with a local worker.</li> <li>➤ In the aspect of compensation practices, a considerable degree of standardisation is evident in the CCMNE's distinctive 'dual-track' global compensation scheme, which entails standardised compensation practices towards managers with long-term employment contracts but more spontaneous compensation practices for manual workers with temporary contracts.</li> </ul>



**OBJECTIVE 2A:  
EXTERNAL  
INFLUENTIAL  
FACTORS AND THEIR  
IMPACT ON THE IHRPS  
IN CCMNE'S  
OVERSEAS  
OPERATIONS  
LOCATED IN  
DEVELOPING  
COUNTRIES**

**(RELATED TO  
RESEARCH  
QUESTIONS 2 AND 3)**

- In terms of the impact of institutional actors on the IHRPs of the CCMNE, two significant actors are home/host governments and regulatory constraints, both of which exert varying degrees of influence on the IHRPs in many aspects (**see Table 5-1**). In particular, the policy incentives of the home government, the political relationship between home and host governments, the resource exchange between business and government, state ownership specialty, employment and fiscal-related legislation, as well as the cost and competence of the national labour-force are detected as the main influential factors.
- Given Hofstede's cultural model, the general high tolerance of the Chinese for ambiguity, high value in achievement and productivity (masculinity-dominated), and willingness to sacrifice short-term interests for the future good (long-term orientation) demonstrate the primary difference from popular cultural values in Thailand. These cultural differences, such as those reflected in divergent work ethics, are detected to have implications for the implementation of CCMNE's IHRPs in Thailand, owing to their cultural impact on individuals' mindsets and behaviours (**see Table 5-3**).
- In terms of the impact of industry-related factors on CCMNE's IHRPs, it is confirmed that the project-based, technical-focus, and stakeholder-focused characteristics of the industry have an effect on the company's overseas selection, training, and reward practices.

<p><b>OBJECTIVE 2B:</b> INTERNAL INFLUENTIAL FACTORS AND THEIR IMPACT ON THE IHRPS IN CCMNE'S OVERSEAS OPERATIONS LOCATED IN DEVELOPING COUNTRIES</p> <p>(RELATED TO RESEARCH QUESTION 4)</p>	<ul style="list-style-type: none"> <li>➤ In terms of the impact of overseas operations' competitive strategy on CCMNE's IHRPs, it reveals that as the case company's competitive strategy evolves from cost-cutting to quality enhancement and further innovation, it results in a corresponding transition in the areas of recruitment, selection and training plans.</li> <li>➤ In terms of the impact of organisational internationalisation stages on the CCMNE's IHRPs, it argues that, by combining data from many companies at various stages of internationalisation, the CCMNE appears to begin with employing a globalised IHRM approach at the onset of internationalisation, and then shifts to a more localised-oriented IHRM approach as internationalisation progresses (<b>see Table 6-1, Figure 6-1</b>). In contrast to the general internationalisation trajectory of Western MNEs, it seems that CCMNEs place a greater emphasis on domestic resource endowments during their internationalisation stages.</li> <li>➤ In terms of the impact of the international HRM orientation of top managers on the implementation of the CCMNE's IHRPs, the deployment of a 'dual IHRM orientation', which entails a blend of ethnocentrism and polycentrism, results in the existence of standardised IHRPs at the upper level of management, while decentralised IHRPs prevail at the entry-level and manual level roles, in particular, reflect in the implementation of compensation practices.</li> </ul>
<p><b>OBJECTIVE 3:</b> STRATEGIC EFFECTIVENESS OF THE IHRM APPROACH IN CCMNE'S</p>	<ul style="list-style-type: none"> <li>➤ To determine the strategic efficacy of a CCMNE's implemented IHRM approach, the strategic international objectives of the CCMNE are divided into intention of exploiting home-originated strategic assets and intention of acquiring host-market strategic assets. The alignment between the IHRM solution and the strategic international objectives is examined (<b>see</b></li> </ul>

OVERSEAS  
OPERATIONS AND THE  
IMPLICATIONS FOR  
FUTURE  
DEVELOPMENT

(RELATED TO  
RESEARCH  
QUESTIONS 5 AND 6)

**Figure 2-9).** Given the case company's strategic objectives of targeting economic scale on a global basis, a globalised IHRM approach that is characterised by intense personal control and informal socialisation demonstrates certain strengths.

- Given the increasing pressure from strategic asset acquisition, the transnational strategy, in conjunction with a more localised IHRM solution, should allow the CCMNE to achieve its evolutionary international objectives in future development. But the disparities in work ethic, labour capacity, and the short-term thinking of expatriate line managers seem to be impeding the development of human resource localisation.

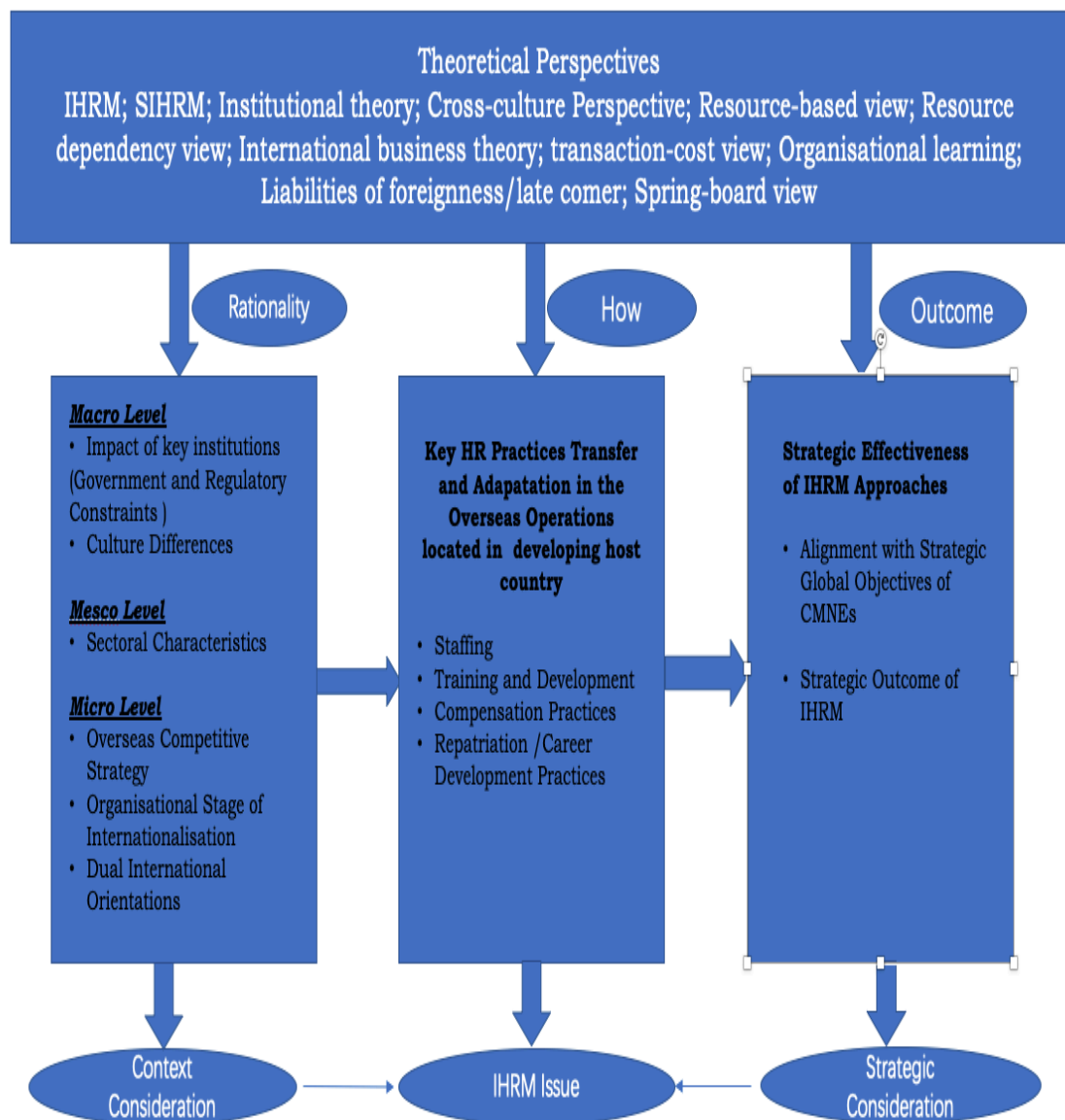
*Source: developed by the present researcher based on the data analysis*

Cross-checking the above-mentioned key findings with the initial theoretical assumptions depicted in the integrative conceptual template one, the empirical evidence affirms that the initial integrative conceptual template one is basically applicable in the context of CCMNE, except for some minor adjustments to rename and enrich the connotations of key influential factors. The revised analytical template shown in Figure 8-1 below complements the original template by specifically elaborating the interplay within the components of the theoretical research avenues, the IHRPs transfer process, the underlying influential factors, as well as the strategic sequences of the implemented IHRM practices.

Along with elaborating on theoretical viewpoints, this revised template details the external and internal dimensions at the macro, meso, and micro levels. With respect to the renaming of the influential factors, in the external dimension, the original factor, which was termed as 'government and legislative influences', has

been adjusted to the term as 'the impact of key institutions'. By these means, it enables the incorporation of a variety of explicit and implicit influences exerted by institutional factors, such as labour force availability. Additionally, the term 'sectoral characteristics' is being used in place of the original term, since data indicates that international competition in industry is not a salient factor.

Figure 8-1 An Analytical Template Two



Source: developed by the present researcher based on data analysis

On the internal dimension, the original factor referred to as the 'motives of MNE's global business goals' is reclassified into the right-hand side outcome column as 'alignment with strategic global objectives of CMNEs'. Thus, the strong linkage between the strategic effectiveness of the IHRM approach and the global strategic objectives of CMNEs can be clearly demonstrated. The 'How' column, which illustrates the main IHRPs that are significantly affected by identified influential factors, has been expanded to include practises in repatriation and career development since the empirical evidence denote these two issues. Also, it emphasises the importance of broadening the scope of IHRM research by taking context and strategic considerations into account.

### **8.3 Contribution to knowledge**

In view of the dearth of studies on HRM activities of CMNEs, this study has provided a platform for further in-depth research into the challenges and enablers of IHRM by expanding the literature which will benefit future academic research.

***Theoretical Contributions:*** From the perspective of theoretical contributions, this thesis adds values to the existing literature in the following three main aspects. Firstly, this research fills the literature gap which calls for an in-depth exploration of the IHRM activities of CMNEs, in general, and CCMNEs in particular, since the peculiar employment behaviours of CCMNEs have raised considerable discussion along with their continuous significant presence in the international markets in recent years (Cooke et al., 2018a). However, the construction sector is a relatively mysterious and conservative sector which has not received adequate research attention before. This thesis satisfies the literature gap by unravelling how the leading CCMNE deploys and implements its main HRPs in overseas operations. In essence, it demonstrates how the CCMNE transfers and

adapts the key IHRPs in its overseas operations located in developing countries. Current empirical evidence indicates, in particular, that construction enterprises, as a project-oriented and labour-intensive sector, do exhibit unique characteristics in terms of their IHRM. This study shows that relatively centralised and standardised training, development and compensation practices at the management-level are transferred across borders, while decentralised and ad-hoc recruitment and selection practices prevail in various overseas operations. In general, their global operations continue to reflect the conventional HR management devolution to the project level (Loosemore et al., 2003). While the adaptability, short-term focus, and cost-effective nature of international staffing practices are consistent with the temporary nature of project production, this short-sighted approach in recruitment and selection areas is nevertheless viewed as being less strategic consideration. While on-the-job training (i.e. work rotation system and apprenticeship programme) is evident as means of knowledge transmission. The training system appears inconsistent and less-systematised, focusing mostly on job-related areas rather than developing the employee's managerial capacity. While the 'balance-sheet method' dominates the design of the CCMNE's international compensation scheme, a more diverse compensation approach is being used at the site worker level due to the divergent work ethics of site workers from different countries and their coherence to local-specific norms. Overall, the construction industry's inherent characteristics as a project-oriented, labour-intensive, skill-focused, and the complex stakeholder environment exacerbate the challenges associated with human resource management in construction. This study provides the recent development of IHRM in the context of the construction sector, especially for organisations which

prefer to learn from the current main IHRM practices deployed by the leading companies.

Secondly, this study responds to the consistent literature call for bridging the gap between theory and practices by interrogating established theoretical frameworks into empirical evidence from CMNEs in order to examine the applicability of theoretical assumptions in light of new contextual factors. By proposing a revised analytical framework based on empirical evidence from EMNEs, the results broaden the research scope of IHRM in general and strategic IHRM in particular (Schuler et al., 2002). Former research has explored the impact of institution, culture, business strategies, organisational structure and the headquarters international orientation on the IHRM practices (Cooke, 2011; Schuler et al., 1993; Taylor et al., 1996; Warner, 2010). On the basis of empirical evidence, this research affirms the logical applicability of the existing sound conceptual framework in the context of EMNEs. It emphasises the importance of interaction between institutional factors from government and legislation, national cultural characteristics, global and unit-level business strategy, top managers' managerial orientations, and the application of IHRM practices in overseas operations from a variety of perspectives. For instance, when examining institutional influences, this thesis extends the research scope by underscoring the latent influence derived from key institutions of a certain country as an implicit but powerful institutional influential factor, which exerts a certain degree of influence on the employment behaviours in CCMNE by national and local networks, as well as organisational culture, etc. This contribution explains the rationale behind employment behaviours of the CCMNE when it operates in the developing host

countries. Additionally, this conceptual framework contributes to the current research by establishing a link between the stages of organisational internationalisation of CMNEs and their rapidly evolving IHRM patterns. The disparity between the stages of organisational internationalisation of CCMNEs from emerging markets and the traditional international organisational life cycle as described by western MNEs (Milliman et al., 1991) is shown in Table 6-1. This study offers a programmatic perspective to allow local governments and other local organisations to have a better understanding of the formation of HR specificities in CMNEs.

Thirdly, this study contributes to the literature by conceptualising the relationship (Figure 2-9) between CMNE's global strategic objectives in general and the ideal corresponding IHRM solutions aimed at resolving the unit linkages issue and thus assisting the organisation in achieving its strategic priorities. It not only sheds light on the upcoming IHRM audit criteria, but also highlights several of the company's human resource development concerns and problems in light of many crucial factors. For instance, refined project management, technological innovation and labour localisation are perceived as three pillars that enable the company to reach its ultimate goal of becoming a global industry leader. Despite the fact that the company's top executives have begun to endorse the HR localisation strategy, execution has been fraught with difficulties. The company's overseas HR activities continue to be dominated by a home-originated HR model and primarily reliant on Chinese managers and technical personnel. Disparities in work ethics between home and host staff, labour capacity in the host market, and international managers' short-term thinking and lack of international



experience seem to impede the development of human resource localisation.

***Practical Implications:*** This study benefits both CCMNE and host community by enhancing their understandings of current advancements in the IHRM practices employed by CCMNEs, and the motivations, challenges encountered by them. In the labour-intensive construction industry, the expatriation of home-country nationals not only increases the company's operating costs, but also does not help to attract and retain local talent. While the global integrated human resource approach might ensure quality and quantity of projects in the short term, when a company's competitiveness is reliant on resource endowment from headquarters, it is by no means a long-term solution. The shortage of competent international talent has become a new HR challenge faced by the company when it continues expanding into international markets. Therefore, from the perspective of sustainable development, the CCMNE should improve the strategic role of the IHRM function, recruiting local HRM professionals to develop a comprehensive recruitment, selection and training system in line with local legislation and local conditions. By doing so, the IHRM priority of emerging market EMNEs to attract, train, and retain a pool of people capable of effectively leading international operations can be achieved (see Meyer&Xin,2018).Also, this study inspires the practitioners from other disciplines, such as the policy makers,who are interested in the impact and implications of BRI of China.

#### **8.4 Limitations of this study**

As mentioned earlier, this research sheds new light on the deployment and implementation of IHRM in EMNEs operating in developing countries.

Nonetheless, this research has some limitations to be discussed. The following three limitations of this study need to be noted. The first one is the generalisation of this research. The findings and conceptual framework based on this case study may not be generalisable to other situations. In other words, the final analytical framework developed as a result of this research may require consideration of a variety of institutional, cultural, industry, and strategic factors. Also, the nature of the methodology as a single case study determines the findings of this research are more context-specific rather than generalisable. It should also be noted that specific IHRM activities can vary across organisations and contexts, even among those that have adopted the same IHRM strategies. The conceptual framework of this study can be utilised to lay the groundwork for future quantitative generalisation research.

This study mainly examined the IHRM practices of one CCMNE at its Chinese headquarters and overseas operations in Thailand. It could potentially limit its applicability by considering contextual variables such as the sector in which the business operates, the ownership structure of the business, and the location of overseas operations. For example, the location of subsidiaries and the ownership of CMNEs are two additional significant variables that could influence a company's global strategy (Pheng & Hongbin, 2004), which could have implications for the IHRM implementation of CMNEs. The study gathered evidence primarily from state-owned CCMNEs with international operations in developing countries. However, as more private-owned companies expand internationally, subsequent studies may place a greater emphasis on the contrasts created by different ownership. When private-owned companies

operate overseas, is the pressure and assistance from the institutional actors as significant as it is for state-owned enterprises? Do differences in the extent to which CMNEs rely on their home country for resource provision significantly affect their human resource deployment overseas? Also, when companies operate in developed countries, do changes in their strategic objectives and pressure factors from the external environment affect their international HR orientations, for example employing a 'light-hand' style or localised HR approach? These questions require further case studies.

Finally, due to time and resource restrictions, this research cannot possibly address all important aspects influencing IHRM deployment and implementation in CMNEs. For example, this research primarily focuses on the influential factors derived from the level of state, sector and organisation levels. However, the critical effect of individual employee mentalities and behaviours on IHRM implementation has been recognised as well. Additionally, there may be several other critical institutions in some contexts that can exert control over the implementation of IHRM, such as the labour unions.

### **8.5 Suggestions for future study**

Much research remains to be carried out on IHRM implementation as there are still under-researched and unexplored areas that were not addressed in this study but have an impact on the SIHRM of EMNEs and which may be investigated in the future.

To begin, building on the insightful findings of this study, and addressing the shortcomings, in-depth research should be conducted to discuss how to alleviate

the shortage of global competence talent in the EMNEs. For example, to establish a competency model for recruiting high-potential talent (regardless of nationality) to form a global talent pool for the company, even if the talent does not currently have the right capability. Implementing the global job-rotation system based on international projects would offer each employee the opportunity to work in geographically dispersed regions and in varying positions. By this means, employees can improve their cross-cultural and language skills, as well as gain adequate international practical experience. The local staff should be given more employee empowerment and development paths.

Furthermore, future research could build on this study to investigate how CMNEs in general, and CCMNEs in particular, can effectively promote the delivery of HR localisation strategy, especially now that the gap between top management's HR strategy and HR application in overseas operations has become apparent. The future study could focus on examining the types of resistance encountered by the CMNEs and the reasons behind the difficulties. For instance, while the research has concentrated on the relationship between IHRM and the external environment/organisation, the impact of individual groups on the IHRM of CMNEs has received scant attention in this particular study. At the individual level, additional research can be conducted to determine the impact of line managers on strategy implementation from the physical and mental perspectives. The organisation should emphasise the creation of a channel of communication between Chinese expatriates and host staff, such as by allowing local staff to return to the corporate headquarters for training, or creating staff canteens or staff centre. By promoting the integration of the two groups and strengthening the

interpersonal network between employees, it can encourage line managers to better understand and adapt to local conditions, and give more attention to the long-term development needs of local employees rather than the achievement of tasks. It may also strongly promote the localisation of human resources. It should help to reduce the turnover rate of local employees and increase their sense of organisational belonging, thus enhancing the company's local employer reputation/brand. In this way, a virtual talent ecosystem will be formed to attract more local talents, and lay a good foundation for the company's long-term and stable local presence.

Additionally, comparative studies in IHRM across sectors and MNEs from developed and emerging economies can be provided, which should help us better understand the significance and extent to which contextually relevant and strategic factors can affect the choice of standardisation and localisation of IHRM in CMNEs. It is stated that considering contextual elements is more critical than ever while conducting an HRM-relevance study in the context of China, given the country's recent rapid technology development and transformation, such as AI in HRM and platform workforce management (Zhao et al., 2021).

Lastly, given the world's uncertainties, the rapidly changing environment raises new research concerns regarding how to adapt and utilise a global human resource management system to serve today's unpredictable organisational environment. For instance, how to manage foreign operations when expatriates' intensive and regular international travel is restricted during this time period, and take good care of employees' well-being (Caligiuri et al., 2020).

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## APPENDICES

Appendix One: Interview Questions with Translation in Chinese

Questions for semi-structured interview 半结构化面试的调研问题

Basic Information of Participants 受访者的基本信息

<b>Date and Time</b> 日期与时间	
<b>Location</b> 地点	
<b>Name of Organization</b> 机构名称	
<b>Position of Participant</b> 受访者职位	
<b>Nationality of Participant</b> 受访者国籍	
<b>Consent Form Accepted</b> 是否接受同意书	
<b>Observation of interview setting</b> 面试环境记录	
<b>Others</b> 补充	

**Research Questions 1:** What are the similarities and differences between CCMNEs subsidiaries and the headquarter pertaining to the deployment and implementation of key IHRPs (i.e. recruitment and selection, training and development, compensation practices)?

**Interview Questions:**

1. **Would you please describe to me how overseas subsidiary and project normally recruit and appoint the line-managers? How about the key technicians and engineers? How does your company assemble a team of manual worker for a project?**

您是否能详细形容一下贵公司海外分公司一般是如何招聘和选任一线经理，主要技术人员，工程师以及项目一线人员？

2. **Why overseas operations need to hire host-country (HCNs) or third-country (TCNs) national employees? Any specific staffing procedures is employed to attract potential candidates in overseas operations? Are those approaches the same as headquarters'? Are those approaches the same as that of other Thai companies? What do you think makes the difference?**

您认为贵公司招聘当地雇员或来自第三国的雇员的主要目的是什么？海外分公司在招聘当地雇员与第三方雇员时是否会采用具有不一样的招聘方式，可否详细说明其不一样的地方？

3. **Would you please introduce to me the main selection criteria for expatriates to Thailand subsidiaries? Do the same selection criteria apply to the local or third-national employees for the same positions? Why or why not? Is the Chinese-specific technology competence being highlighted?**

您是否能向我介绍一下贵公司对赴海外分公司的工作人员的选拔流程和条件？相同的甄选准则是否适用于相同职位的本地雇员？为什么？掌握中国特定的技术是否非常重要？

4. **Please tell me the biggest challenge you ever encounter during the process of recruiting and selecting the right people? What are your opinions or suggestions for development?**

在海外分公司人员招聘与选拔的过程中您认为最大的困难是什么？就个人而言，您认为有哪些改进措施呢？

5. **Do you ever receive any training before you come to the overseas operations? What are the objectives of those training programs? Who was the instructor?**

您是否在赴任海外分公司之前接受过任何培训？如是，培训内容主要针对哪些方面？谁担任培训师呢？

6. **Do you ever receive any training after you arrive the overseas operations? What are the objectives of those training programs? Who was the instructor?**

您是否在任职海外分公司期间接受过培训？如是，培训内容主要针对哪些方面？谁担任培训师呢？

7. **Do the overseas operations manage any specific training programs for local employees or employees from the third country?**

海外分公司是否开发任何针对与当地或第三国职员的培训项目？

8. **Any recommendation for the development of contemporary training practices in the overseas operations?** 您对现行的海外分公司培训项目有什么提议？

9. **What are the components consist of the compensation package of expatriates (e.g., base salary, Foreign Service inducement, allowances and benefits)? Please specify.** 您能详细介绍一下海外分公司的中国外派员工工资主要由哪些部分组成？

10. **What are the components consist of compensation package of local employees? Please specify.** 您能详细介绍一下海外分公司的当地职员和第三国职员工资主要由哪些部

分组成？

11. **Is compensation equivalent between the headquarters and the overseas subsidiary? If not, what do you assume the reasons are? What is the magnitude of the disparity?**  
海外分公司同等职位薪酬水准与在总公司相差大吗？您认为是什么原因造成了差距？差距有多少？
12. **Are you satisfied with the current salary level? Why or why not?**  
您对目前的工资水平满意吗？为什么？

**Research Question 2a: How the government intervention factor affects the IHRPs employed by overseas subsidiaries?**

**Interview Questions:**

13. **What mainly motivated your company to go aboard? Does the appraisal of top managers associate to the company's international performance? Please specify.**  
您认为贵公司这几年寻求海外项目的主要动力是什么？公司的在海外市场表现是否会与管理层的激励措施相挂钩呢？
14. **Would you please specify to me whether and how the company accelerated its internationalisation after 2013(BRI)? What's the significant support from the Chinese government?** 您是否能具体说说公司在“一带一路”倡议后，也就是 2013 年，是如何加快了国际化的进程呢？中国对贵公司积极拓展海外市场提供了哪些重要的帮助和支持？
15. **Why company choose Thailand and Ethiopia as the international investment destinations? Do overseas operations ever receive any support from the local government?** 是在什么样的契机下贵公司选择了在泰国和埃塞俄比亚两国成立海外分公司？当地的政府是否对贵公司的海外项目提供过有利帮助？
16. **What are the main obstacles in contracting projects in Thailand and Ethiopia?**  
在泰国和埃塞俄比亚这两国的经营与市场拓展中，贵公司有遇到过什么难题或阻碍吗？
17. **What do you think are the strengths and weakness as a State-owned enterprise in the international market compared with other Chinese private enterprises?** 作为一个国有企业，对比其他民营企业，海外公司在他国经营是否会遇到更多的阻力或是更加具有优势？请您详细说说。
18. **What is your company's strategic positioning for the future with the facilitation of One Belt And One Road?** 随着“一带一路”的战略深化发展，贵公司对未来的企业战略定位和发展目标是什么？
19. **Does company have any plans to establish more overseas subsidiaries? Where, When and why.** 贵公司是否在不久的将来有建立其他海外分公司的打算？若有，将会是在什么时间和地点？出于一种怎样的契机？



**Research Question 2b: How do legal and regulatory factors affect the IHRPs employed by overseas subsidiaries?**

***Interview Questions:***

**20. How does public law and regulation influence human resource management associate work in the overseas subsidiary?**

请问该国有哪些特殊法律法规曾影响到了人力资源管理相关的工作？可否举例说明？

**21. What's the main difference regarding recruitment, training and compensation between headquarters and from this perspective? How does your company respond to these legislation requirements?**

由于受到当地法律法规的制约，海外分公司对招聘、培训于薪酬要求是否与总公司呈现不同？贵公司都采取了哪些有效措施来回应当地的特殊法律法规要求？

**22. Have you ever encountered or heard of about the obstacles in applying expatriate working visas or immigration visas? If yes, please elaborate.** 您或是您的同事是否曾经遇到过签证方面的难题呢？

**Research Question 2c: How the cultural and national values difference affect the IHRM practices employed by overseas subsidiaries?**

***Interview Questions:***

**For Expatriates (中国员工问题)**

**23. What do you think are the main cultural differences between Chinese culture and local culture? Please specify. What aspects of managing/working with foreign employees do you find more challenging?** 您认为中国与当地文化的最大差异是什么？管理非中国员工最难的地方在哪里？

**24. Are there any local norms or customs particularly distinctive from China?** 当地是否有什么习俗是与中国非常不同的吗？

**25. Can you detect a degree of compromise or transparency in the atmosphere of overseas subsidiary in dealing with employee differences? What particular actions has your subsidiary taken to promote culture integration within your organisation?** 您认为海外分公司在处理员工差异性问题上是否足够包容与开放？如果您认为是，请举例说明一下分公司曾采取了哪些有效措施促进员工融合和团结？

**26. Do you agree HCNs and TCNs employees of overseas subsidiaries respect the privileges of superiors and able to effectively complete the work assigned? If not, what do you think might be the main reason.** 您认为外籍员工是否能做到尊重管理层指令，能有效地完成指派工作任务？如无，您认为潜在原因是什么？

**27. Do you agree HCNs and TCNs of overseas subsidiaries take overall group and individual interests? Please specify.** 您认为外籍员工是否能将集体利益放置与个人利益之前？请举例说明。

28. **Do you agree HCNs and TCNs of oversea subsidiaries properly catch up the work pattern and productivity? Please specify.** 您认为海外分公司的外籍员工是否能很好的适应贵公司的工作节奏？请举例。

**For HCNs and TCNs (外籍员工随访问题)**

29. **Why do you choose to work here instead of working for other local construction firms? What's your opinion of the international reputation of Chinese linternational Construction company?** 你为什么选择在这里工作，而不是为其他本地建筑公司工作？你对中国国际建筑公司的国际声誉有何看法？
30. **How were you recruited in the subsidiary here? What's the competence requirement for your position? Have you received any training for your job?** 你是如何被招聘的？你的职位的能力要求是什么？你是否接受过任何工作培训？
31. **Is there a wage disparity between this enterprise and other local businesses? Do you think the compensation in here is enough to motivate you to work? Please specify. If not, what else motivate you to work here?** 该企业与当地其他企业之间是否存在工资差距？你认为这里的报酬是否足以激励你工作？请具体说明。如果不是，还有什么能促使你在这里工作？
32. **In the process of your work, are you influenced by any strategies or policies from Chinese headquarters?** 在你的工作过程中，你是否受到中国总部的任何战略或政策的影响？
33. **Are you getting along with Chinese staff? If not, please give me some detail.** 你和中国同事相处得好吗？如果不是，请告诉我一些细节
34. **What do you think is the biggest challenge for you to work for this Chinese construction firm and project? Please give me an example of you or your colleague.** 你认为在这个中国建筑公司和项目中工作的最大挑战是什么？请给我举一个你或你的同事的例子。
35. **Do you think your company takes the social responsibility towards the community? Why and why not?** 你认为你的公司是否承担了对社区的社会责任？
36. **Do you wish to work for a Chinese construction firm continually? Why and why not?** 你是否希望继续在中国的建筑公司工作？为什么？

**Research Question 3: How the industrial characteristics affect the IHRPs employed by overseas subsidiaries?**

***Interview Questions:***

37. **What do you think is the current human resource-related dilemma(s) facing the Chinese construction industry? How do those dilemmas constrain the international process of Chinese contractors?** 您认为中国建筑业界目前面临的最大人力资源相关困境是什么?这些困境如何制约中国承包商的国际进程?
38. **What required competences should be equipped with talents in the future?** 您认为未来行业的人才需要具备哪些素质?
39. **Are there any requirements for your company on the personnel involved in international projects in terms of qualification(s) or competence?** 在贵公司,参与国际项目的员工需要具备哪些软硬件条件?需要具备哪些资质?
40. **Who do you consider the most competitive competitor for your company in the international market? What make them the most competitive competitor?** 您认为贵公司在海外市场最强劲的对手有哪些?为什么他们是最强劲的对手?

**Research Question 4a: How the competitive strategy of subsidiary impact the IHRM practices employed by overseas subsidiary?**

***Interview Questions:***

41. **What do you think is the main competitive advantages of overseas subsidiary competing in the international market? Please specify.** 您认为贵海外分公司在当地的具体竞争优势有哪些?
42. **Is creating more global efficiency as one contemporary goal of overseas subsidiary? How do you think is the most important approach to sustain global efficiency? Increase market share, improve quality, pay more attention on technology innovation or lower cost?** 您认为创造更多的海外效能是海外子公司目前对目标吗?您认为持续创造效益的最重要的途径是什么?提高市场份额,提高质量,注重技术创新还是降低成本?
43. **What is the strategic positioning of subsidiaries in the near future? Is the same strategy employed currently? If not, why does the change occur?** 未来几年里,海外分公司的战略定位是什么。是否与现在的战略定位相一致。是什么导致战略定位的改变呢

**Research Question 4b: How the organizational life cycle affect the IHRPs employed by overseas subsidiaries?**

***Interview Questions:***

44. **How do you describe the current stage of internationalization of overseas subsidiaries? For example, learning stage, high growth stage, adjustment and upgrades stage or**

**stable and mature stage?** 您认为目前子公司处在学习探索阶段·高速发展阶段·调整适应阶段或是稳定发展阶段呢?

45. **What have been the main change in the human resource approach since the establishment of overseas subsidiary? Please specify.** 自从成立了子公司以来·现行的人力资源管理模式是否经历过调整与改变·都有哪些调整呢?
46. **Do you think the current human resource management approach can effectively satisfy the development needs of company?** 您认为当前的人力资源管理能有效地适应公司的发展需求吗?

**Research Question 4c: How the international orientation of top managers affects the IHRPs employed by overseas subsidiary?**

***Interview Questions:***

47. **What's the relationship between headquarters and subsidiaries? Relative dependence or independence?** 您会怎么形容海外子公司与总部之间的关系·相对独立或是不独立?
48. **Which positions in the subsidiary are filled by expatriates? What are the nationalities of middle-level and line managers in your subsidiary?** 外派中国籍人员一般会被指派到子公司什么类型的岗位上?海外分公司的中层和直线经理的国籍是什么?
49. **How much autonomy does the subsidiary have to decide how and who to recruit? How much autonomy does the subsidiary have to decide and operate training programs and a compensation system?** 海外子公司有多大的自主权来决定如何招聘和招聘谁?子公司有多大的自主权来决定和运营培训项目和薪酬体系?请举例说明。
50. **Are middle-level and line-managers in the subsidiary involved in the decision-making process of headquarters? If yes, could you please give some details?** 海外子公司的中层或底层经理是否会参与总部的决策过程?如果是·你能详细说明一下吗?
51. **Are any human resource practices employed by subsidiary only? If yes, to what extent are they similar to other local companies?** 在海外子公司是否有其独特的人力资源管理办法?如有·是否与其他当地公司所采用的办法相一致?

**Research Question 5.6: To what extent the implementation of IHRPs can be considered as control mechanism to enhance the integration of headquarters or effectively respond to local specifics?**

***Interview Questions:***

52. **How often does headquarters send experts, commuters or inspection teams to projects for progress supervision?** 总公司一般多久会派专家调研组或视察人员·通勤人员到项目和公司进行进度督查?
53. **Do subsidiaries and headquarters share the same Email list, intranet and talent pool database?** 海外分公司是否与中国总部共用相同的内部局域网络·资料库和邮件通讯网络?

54. **Does the training program content of the subsidiary synchronize with that of headquarters or other units? If yes, is it mandatory or voluntary?** 海外子公司的培训内容是否与总部或其他海外分公司的培训内容同步?如果是,是基于总公司强制规定或是分公司自愿决定?
55. **How do you think the training program you have ever taken was effective for your hands-on job in the overseas subsidiary?** 你认为你所参加的培训项目对你在海外分公司的实际工作有帮助吗?
56. **Do line-managers and staff have any opportunities to communicate with other overseas units and headquarters?** 海外分公司部门经理和员工是否有定期与其他海外分公司和总部职工一起交流的机会?
57. **Does your company have any cooperation with local organizations?** 海外分公司是否与当地其他机构有合作?
58. **How does your company deal with its relationship with the local community? Have any policies and actions ever been taken for interaction with local communities and NGOs? Has your company ever encountered any challenges or issues with the local community during the project process?** 贵公司如何处理与当地社区的关系?是否曾采取任何政策或行动与当地社区和非政府组织进行互动?您的公司在项目过程中是否遇到过来自当地社区或非政府组织的阻碍?