

HR STRATEGY AND EMPLOYMENT MANAGEMENT IN CHINESE MNCs

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INTRODUCTION

Chinese firms have paced up internationalisation since the end of 1990. Currently, China is the second largest outward investor in the world and its outward foreign direct investment (FDI) surpassed its inward FDI. According to MOC (2014), there were about 15,000 Chinese MNEs who have sent over one million Chinese expatriates overseas while having employed 967,000 workforce from host countries (MOC, 2014). Based on this figure, Chinese MNEs' expatriate ratio (the percentage of expatriates to total employees overseas) was over 50%. This was significantly higher than the statistics of MNCs from other countries. While a few studies have indicated that Chinese MNEs have employed a large number of expatriates (e.g. Shen and Edwards, 2006) and that there was a decline in the hiring of the local employees in Chinese MNCs operating in the UK (Zhang al.et. 2014), very few studies have actually explored why Chinese MNCs use large number of expatriates in their overseas operations and so we know very little about expatriate management in Chinese MNCs.

It has been argued that expatriates play a key role in the growth of MNEs in the developed countries (AMNEs). It is particularly related to transferring superior technologies and best practices in work process to the overseas subsidiaries (e.g. Harzing 2003, Edwards and Ferner, 1998). In other words, AMNEs' sustainable distinctive capability is located in their advanced technologies and best practices in work process. The main role of expatriates is to make sure these advanced technologies and best practices are transferred on to their subsidiaries (Harzing, 2003; Thomas and Lavanne, 2013). In contrast, Chinese MNEs arguably do not

hold similar distinctive capability, i.e., advanced technologies and best practices in management as AMNEs do (Child and Rodrigues, 2005; Rugman and Li, 2007). A recent research based on a composition-based view (CBV) has argued that Chinese MNEs may thrive by creatively combining and composing the open resources or generic capabilities available to them, resulting in an enhanced speed and a price-value ratio that are well suited to a large volume of mid and low-income consumers from the emerging markets (Luo & Sun, 2014). It has been long argued that China's rapid development in the last 30 years benefited from massive flexible and low cost labour supply and growing managerial resources in China (e.g. Warner, 2014). It is also argued that the international expansion by Chinese firms may have emerged from its cheap labour force (Luo & Sun, 2014). However, we don't know whether and how the human resources have contributed to the firm's capability in their overseas operations. In this paper, we attempt to address these two issues.

HR strategy and expatriations in AMNCs

Superior/advanced technologies and best practices in work process/management are regarded as the distinct capability in the MNCs from developed economies (Baltte and Ghoshal, 1988). Knowledge transfer is regarded as the distinct capacity in the MNCs (e.g. Briscoe, *et al.*, 2012). As a consequence, a huge amount of research has been focused on knowledge transfer (e.g. Ferner 1995, Edwards 1996, Edwards and Ferner 2003). As a result, although AMNCs have been argued to use different HR strategies in their global operation, it has been widely found that they send expatriates to manage their overseas business in order to turn their technologies and best managerial practice into their overseas subsidiaries. The expatriates are the need to coordinate the subsidiary's practices and policies with the company's headquarters, thus ensuring that the practices are uniform (Thomas &

Lazarora, 2014). The expatriates in AMNCs have been argued to use and possess the various functions from controlling (decision-making), managing (daily routine business operation), transferring (best practice to local), coordination and networking to filling the posts and learning or career development (Briscoe, et al., 2012). To complete these functions, the relevant competencies are identified for the expatriates including flexible communication skill, cultural adaptability and sensitivity, ability as a team builder, physical fitness and mental maturity, curiosity and learning and augmented skills (see Denial). Among them, having a flexible mind-set and coordination skills have been found extremely important to the control and transfer and for the success of business (Alder 1991).

However, while the expatriates are regarded as an important role in MNCs, in reality, it has been well found that MNCs often did not send large number of expatriates overseas and especially recently has been a decreasing trend in most of companies (Briscoe, et al., 2012). The literature has been well researched on the reasons why these MNCs are reluctant to use expatriates. The main reason is related to a high cost of the assignments. The high cost is attributed to relocation, compensation of an expatriate as well as the failure of expatriation. The failure of the expatriation is often reflected in the underperformance or early home-return or resignation after being an expatriate. This may be due to the expatriate's family issues, psychological contract and career expectation, which are considered to be the reflection of an expatriate's attitude towards personal value and the overseas job. These are hugely related to deal with the national cultural differences. MNCs offer pre-expatriation training as a means of support and help for expatriate to acclimatize before they work overseas. However, being both cost and time consuming, these problems still remain in many

companies. Furthermore, the high compensation for the expatriates have also caused the issue of inequity and disparity to local employees (Leung et al., 2009).

Given these constraints in utilising expatriates, most AMNEs are moving to adopt a localization strategy in HRM in their overseas operations, particularly in countries that have cheap or easily available labour resources. MNCs mainly rely on local workforce for the operations allowing the expatriates to handle knowledge transfer and control and business strategy. With this approach, the expatriates normally play the role of 'thinking globally' and local employees play the role of 'operating locally' since they are assumed and argued to be better at 'understanding local condition' and to cost less (Briscoe, et al., 2012).

It has been noted that there is a difference in using expatriation between different MNCs. For example, Ferner in his study (1995) found that compared to US, German and Japanese MNCs, Japanese MNCs are more reliant on expatriates in their overseas operation. This was particularly found between the 1980s and 1990s when Japanese firms expanded to global markets. These firms were widely criticised for using more expatriates than other AMNEs (Beamish & Inkpen, 1998). One of the major reasons for doing so was that the Japanese firms employed key techniques like "Just In Time", "Keizen", etc., that attracted the expatriates to work and learn under them. Compared with pure technologies, such work process seemed to be more tacit and difficult to be transferred and using expatriates could ensure a better transfer. It has also been found that the sophisticated functions of those overseas subsidiaries of Japanese companies were one cause for heavy using expatriates (Oki, 2013). Additionally, Japanese MNEs also seemed to be using expatriates to ensure tight control over local employees when they operated in the UK (Elger and Smith, 1998). However with the increased overseas operations and high cost in

using expatriates as well as the constraints from the host countries, Japanese MNEs have been using less and less expatriates over the years (Beamish & Inkpen, 1998). These studies show that expatriates have been used by AMNEs as a HR strategy to facilitate the exploitation of their distinct capability - superior technology and best practice of management. Expatriates have been playing an important role to translate these capabilities into their overseas operations. However, the extent to which MNCs could use expatriates depends on factors such as characteristics of knowledge, acclimatization abilities of expatriates, local capacity to generate proper human resource and the rules and regulations of hiring expatriates.

The context of HR strategy and expatriation in Chinese MNCs

Chinese MNEs have been expanding on a global scale at a rapid pace during the last two decades and have become the second largest outward investor in the world. On one hand, China being a developing country, its MNEs are widely perceived to go out to explore rather than exploit their own core competencies (Luo & Tung, 2007). In line with this argument, Chinese MNEs are considered not to possess superior technological and managerial competence when internationalising (Rui and Yip, 2008). Existing research on Chinese MNEs (e.g. Zhang and Edwards 2007) indicate that in the earlier stage, some Chinese MNEs in the UK adopted a localization strategy in their operations. It has been found that these companies only deployed a small number of expatriates mainly for the purposes of learning and reverse diffusion. They aimed to control rather than transfer home knowledge and management practices into their overseas operations. However, this observation was based on only one single developed country and focused on financial and trading business sectors. At the same time, it has been found that Chinese MNCs have been using a large number of expatriates overseas (e.g. Shen and

Edwards,2006). Even in the developed countries, there is an increasing trend to use expatriates in last ten years (Zhang *et al.*,2014). While the findings have led to concerns about the management of expatriates and local employees, existing research has little discussion on the motives of Chinese MNCs sending their expatriates overseas, particularly whether and how this is related to the firm's capability in the global competition.

The existing literature has vividly described the distinct capabilities of China at home (1) Mass availability of low cost labour force supply which is one of important advantages of China in their economic development (Warner, 2012); and (2) AMNEs in China have accumulated a skilled managerial team with rich experience in collaboration and business operation (e.g. Warner, 2014). These studies imply that CMNEs may take these advantages into their overseas operations: to create the same distinct capability. While AMNEs dispatch expatriates to transfer their superior knowledge and keep expatriates' role mainly on transfer and control, we wonder what role do Chinese expatriates play if they do not have superior knowledge to transfer or if they even come overseas to learn and whether CMNEs could transfer their human resource advantage from their base to a host country so as to win overseas competition. Why Chinese MNCs were able to rely on the expatriates rather than locals to achieve their competitive advantage. Hence, our first question is why CMNEs send a large number of expatriates overseas? What key roles do expatriates play? And what competencies do these expatriates possess that benefit these companies?

As we discussed above, the AMNCs have impacted hugely on managing their expatriates working overseas even when there is only a small percentage of expatriates compared to the number of MNCs. The national differences are regarded

as a huge issue in managing expatriation. China has been argued to have a distinct culture and tradition although these have gone through a huge wave of change in the recent past (Warner 2012). The available literature describe the difficulties faced by expatriates while working in China which eventually led to a lot of MNCs adopting a localisation strategy in China by transferring expatriates' responsibility to the local staff (Child, 1973; Gamble, 2010). Chinese MNCs have been argued to use the expatriates heavily and a few studies have described some HR issues and employment relations in Chinese MNCs (e.g. Shen and Edwards (2001) and Lee (2009)). Shen and Edwards (2006) used a case study and described HR strategy and policies used in Chinese MNCs and indicated some characteristics of their HR policies including an autocratic management style, low employee involvement, lack of openness in communication, absence of formal policies towards employee relations, preference for no trade union recognition in Chinese overseas operations and so on. Lee (2009) in a case study of Chinese firms in Zambia suggested that they use the services of employment agencies for dispatched workers. However, we know very little about how expatriates and organisations deal with the challenges and difficulties met by expatriates and whether and to what extent, their organisations and management are able to translate their competency into a distinct capability. Thus, our second question is how Chinese expatriates have managed to cope with the national differences and contribute to the capability of the firms. We will explore these two issues in the rest of our paper.

RESEARCH DESIGN

We choose CMNE cases in Africa, Latin America, Middle East, Europe and Asia to analyse CMNEs' expatriates. However, this paper focuses on the expatriates brought overseas by CMNEs with direct investment and contracted projects. The

time periods of our focus in this report are the early 1980s, when China opened its door to the world and more Chinese firms started their overseas operations and hence, used more expatriates in this period. The cases we selected are mainly from resources, construction, telecommunications, manufacturing and services, given that these sectors hugely use expatriates in their operations. The cases have a good mixture of ownership (both state and non-state owned), their sizes include both large and small companies and their locations are quite spread out. We chose CMNE cases in Africa, Latin America, Middle East, Europe and Asia to analyse CMNEs' expatriates in both - developing and developed countries (please see table one for the details).

Data collection

The data used in this paper has been mainly selected from our large ongoing project entitled "China's outward investment and Chinese MNCs", for which a multiple case study methodology was deployed. Our research unit was the Chinese firms that were operating around the world in various industries. We observed and visited CMNEs from different countries, naturally received information encountered by CMNEs in the host country, regardless of their ownership and size. So far, we have conducted over 100 case studies across industries in every continent. To serve the objective of this paper as stated above, this paper uses HR relevant data collected during our research period from 2005 till date.

Data for each case were collected from documentations, fieldwork observations and interviews. We first reviewed the existing literature and openly accessible materials to better understand CMNEs' expatriates around the world. We also searched for data archived by international and national organisations including the Ministry of

Commerce (MOC) of China, China Exim Bank and UNTCAD. During the fieldwork and interviews, we also received annual reports, market analysis and project management reports and professional magazines published by relevant industrial associations from the visited companies. Overall, we collected over 1,000 pages of documentation and research material on Chinese expatriates.

Fieldwork observations proved valuable for our study. At each project site of these CMNEs, we listened to the introduction of the project and of the expatriates by the project manager(s), observed how expatriates work on site and lived in accommodations, and asked expatriates, various questions. Our primary source of information was interviews. For the entire project, we interviewed 300 relevant people involved in different sectors. The interviewees consisted of subsidiary heads and senior managers of CMNEs in various countries, expatriates and workers, as well as relevant Chinese government officers such as commercial counsellors or ambassadors in every visited country. These interviews focused on the Chinese expatriates' origins, characteristics, management, challenges, how to transform expatriates' advantages to core competencies and why. Interviewees were also selected from the relevant host government departments, project owners, designers, managers, supervisors and local employees in host countries. These interviews focused on the local perspective on CMNEs' expatriates and host government's strategy and capability in managing them. Interview protocol and questions were designed to investigate our research question. Interviews were conducted in either Chinese or English.

Data analysis

We use the case study methodology described in Yin (2008) and Eisenhardt (1989) to understand and analyze CMNEs' expatriates. We analyzed the archival data to understand the origin and evolution of CMNEs' expatriates. We then analyzed interview data by means of data reduction techniques. Next, we focused our efforts on the factors that appear to have greatest relevance to the expatriates' origins, characteristics, management, challenges, how to transform expatriates' advantages to core competence and why. We then compared and contrasted the factors in each case and mapped out their commonalities and differences. We also compared and contrasted the case study with existing theoretical arguments, gaining an understanding of the findings, such as the transformation of expatriate advantages into core competence.

FINDINGS: HR STRATEGY AND EXPATRIATES MANAGEMENT IN CMNCs

In this section we present findings for our two research questions: (1) whether and why CMNCs send a large number of expatriates overseas and what main roles expatriates played and what unique characteristics of these expatriates are; and (2) how Chinese expatriates have been managed. Overall, our findings were in line with the previous claim (CCPIT, 2012; MOC, 2014) that Chinese MNCs have been heavily used or tended to use expatriates though there are some variations. In this study, all observed CMNEs had a high percentage expatriates in their international operation, at both managerial and operational levels. Table 1 shows such one example. CNPC, the Chinese National Petroleum Corporation, had a typical expatriate ratio of from 10 to 50 per cent in 2008, which was much higher than that of Japanese expatriate ratio in 1990s (Beamish**; Shen, 2006). Table 1 also shows that while the expatriate ratio at managerial level (e.g. Sudan Office etc) was about 10 per cent, the ratio at operational level (e.g. CNPC's engineering subsidiary) was as

high as 50 per cent. Time and again, being invited to comment on CMNEs, the interviewees from the side of host country were often very straight forward, just as this industrial minister of Kazakhstan (interviewed in Astana, 2010): “They always attempt to bring in large labour force”. Hence, being a large number and being heavily relied on seemed to be the distinguished characteristics of Chinese MNCs.

Large CMNEs especially with state ownership were often able to show the figures of their expatriates, but small private Chinese firms had little information available for public on the numbers of their expatriates. This led to a “mystery” situation on the genuine numbers of Chinese labour forces, claimed by every Chinese commercial counsellor we interviewed. One put it as: “while official estimation of the Chinese in Sudan is 30,000, I guess the real figure is probably several times higher” (Chinese Commercial Counsellor, interviewed in Khartoum, 2008).

Motivations of heavy use of expatriates

One is to deal with surplus labour force. For example, China State Construction Engineering Corporation (CSCEC), the largest Chinese construction firm, aimed to win international contracts as early as in 1982. It sent the massive expatriates overseas was to provide a job for them. As the CEO of CSCEC recalled (interviewed in Beijing, 2012): “Construction industry was among the earliest industries liberalized during the Chinese economic reform since 1978. Large state owned construction firms were separated from government and requested to be responsible for their own profit or loss. Having not received any support from the government, instead, we felt like that we were an unwanted child, The liberalization resulted in more construction companies established with decision making autonomy

which led to higher productivity and then more surplus labor force and capability. The Chinese government began to encourage them to go overseas”.

Apart from making use of surplus capacity, another important motivation was related to the efficiency. This is particularly related to the project contracting firms who were to go overseas to earn foreign reserves for the country needed at the time. China's National Petroleum Corporation (CNPC) is an example. This company is an international investment firm – went overseas for resource seeking. With the invitation by the Sudanese government, CNPC began to invest in Sudan since 1995. Once the contract was signed, the pioneering team of CNPC started to locate the position of the exploration well in the oil blocks. Without any foundation in oil industry, Sudan lacked oil exploration relevant talents and skilled labor. Sudan also lacked basic infrastructure to enable oil exploration including roads and electricity. Hence, CNPC had to send expatriates of not only at technical and managerial levels but also at operational level. Ten years on by 2008, CNPC were still using quite a large number of expatriates in its operation in Sudan, as shown in Table 1.

However, the ultimate motivation discovered from our study was that the CMNEs intended to use the advantages embedded in their HR and expatriates to compensate the disadvantages in technology as latecomers in the global operation. In other words, this is the way that CMNEs use HR strategy to serve their business strategy. Time and again, we heard such claims: “We are latecomers. We do not have reputation. Our technology is not advanced than AMNEs. We lack management skills in other countries. What we only have is the (big size and hardworking people” (e.g. HSE manager of CNPC, interviewed in Almaty, 2010). Another senior manager of CNPC added: “we are latecomer in global oil market. All the good quality oilfields have been occupied by western MNEs. We have to take

those leftover and operate in the most difficult, risky and dangerous locations, where western MNEs do not or cannot operate. While our technology is not necessarily better, all we can do is to rely on our people who are able to deal with these difficulties” (CEO, Khartoum Refinery Corporate, interviewed in the KRC, 2008).

Roles of Chinese expatriates and differences between using expatriates and locals

CMNEs’ expatriates consist of a systematic combination of all types, for control, transfer, coordinate, career development and operation. We surprisingly found that there were a large number of expatriates at operational level to carry out jobs such as infrastructure construction. Table 1 shows that CNPC used fewer managerial level expatriates than operational level ones and the localisation of operational expatriates was much higher than the corporate average. The highest ratio of CNPC’s expatriates was owned by its construction subsidiary, which constructed oilfield facilities, roads, and other necessary infrastructure to serve CNPC’s core business in oil exploration and refinery in Sudan.

During our contact and interview with Chinese MNCs, we found that Chinese expatriates possess many characteristics, which AMNEs’ expatriates do not possess. Also, these characteristics were not available from locals, which determined why CMNEs prefer to heavily use expatriates rather than hire from AMNEs and locals.

One of differences is the cost. CMNEs’ expatriates had a much lower salary and longer hours compared with their peers in AMNEs. One large state owned firm expatriate stated (interviewed in Beijing, 2010): “in 2001 when working in Sudan my monthly income was USD1370 including USD320 of salary and USD35 per day compensation. A same-level Canadian employee [in a western MNE] had USD32000

of monthly income, 30 times mine when considering he took more holidays than I did. Now [in 2011] we are much better. I am working in Iran and my total monthly income is about USD5000 and my peers in Schlumberger Iran had a monthly income of USD10000’.

However, interestingly, when we began this research ten years ago, Chinese managers would also claim that using expatriates could save cost, especially in developed countries; but ten years on, they increasingly pointed out that using expatriates cost more than using locals, but they still prefer to use expatriates given their hardworking characteristics and flexible and fast responsive skills.

Hardworking means long hours working. One geologist of CNPC recalled that, for not delaying the oil exploration, his small team continued to work and spent a Chinese new year eve in a 40-foot “house”, a transformed shipping container, in the remote oilfield in Sudan. He was moved to tears when hearing the New Year greetings from leaders and colleagues at headquarters in Beijing via a specialized telephone. Secondly, hardworking also means taking risks. The geologist recorded their risk taking in a letter to his colleagues dated on 26 April 2010: “When I worked in Block 3/7 in Sudan, the conflict between the government and anti-government forces continued. Our squad lost three large Mercedes Benz, one was blown up by mines, one by rockets and another was rammed into by a tank and destroyed. We repeatedly encountered gunfights, but did not stop working in order to ensure China's interests and reputation”. Alone in Sudan, he experienced two infections from local diseases, five car accidents, and countless days and nights working in areas where violent attacks took place (Chief Engineer, CNPC PK; former geologist of CNPC in Sudan, interviewed in Almaty, 2010). Hardworking is furtherly related to put the organisational requirement at first. One expatriate told his story to us: “I have

been overseas for 10 years, which has brought advantages to my company in maintaining close relationship with the host country and winning projects and so on. In contrast, expatriates of AMNEs move quickly” (HSE manager, CNLC, interviewed in Khartoum, 2008). At the time of this interview in 2008, this manager was expecting to return Beijing headquarters and he was informed to receive his golden prize for 10 years’ overseas service on his return. However, in our follow-up contact we were told that without any advance warning, he was asked to move from Sudan to Algeria for a new operation instead going back to Beijing (HSE manager, CNPC, online interview, 2011). This indicated another discipline of CMNEs: If the headquarter demands, an expatriate must obey any unexpected arrangement, as exemplified by the CNLC manager.

Hard working also means less consider of family issues. Most of them didn’t bring their family with them. In these Chinese state-owned MNCs, Medium and top managerial expatriates were allowed to visit home country with full salary twice a year in addition to the opportunities of flying back for headquarter meetings and so on. Operational level expatriates’ situation was much worse. In the temporarily built dormitories with four bunk beds for 8 workers (with fan, bath and TV facilities), one dam constructor said: “We have not been able to visit home since coming to this country. Yes, over two years. The dam building has a tight deadline. We need to apply for permission for the home visit months ago and our manager decided who could go and when to go based on the progress of the construction. Once my application was approved and I was about to fly home, the project plan was changed and we must speed up because the president of this country came to check the operation. I was unable to go home. I felt so guilty as my daughter had the exam to go to university and she needed my support” (construction worker, the Sixth Bureau

of SinoHydro, interviewed in Merowe Dam construction site, 2008). In the private firms, the home visit depended on the demand of the host market. One expatriate from a private firm headquartered in Guangzhou complained about his boss in Guangzhou: “He always persuades me to stay longer because no one can replace me. I have not got any chance to go back for more than one year” (interviewed in Khartoum, 2008).

Therefore, frequently and commonly, subsidiary heads of CMNEs located in different countries claimed that they favour to bring expatriates because “they are easier to be managed compared with locals. The Chinese are not only hard-working but also less trouble making” (CEO, China Wuyi, interviewed in Nairobi, 2009). In contrast, “local employees are difficult to manage because they did not get use of working overtime, after hours and working in holidays, even with additional pay for their extra hours” (CEO, Jiangsu International, interviewed in Nairobi, 2009). “Our local employees could leave their duty for a family phone call or something else, which is dangerous for a refinery company. I am concerned about the safety of the company after the host country takes over the charge of this corporation (CEO, Khartoum Refinery Corporate, interviewed in the KRC, 2008). Chinese MNCs using expatriates is also related to unfamiliar with the local environment. For example, in the interview, the Chinese interviewees mentioned that local employees would simply go to court if they felt anything injustice or unfair, which caused “troubles” to their Chinese employers: “We are not familiar with local laws and regulations, which place us in disadvantage. Also, courts in host country often protect their citizens so employees often win the cases” (CFO, Friendship Textile, interviewed in Dar es Salaam, 2013). Hence, many Chinese employers would use expatriates and avoid to involve in these difficult situations

Being flexible and fast responsive: a considerable numbers of our interviewees were expatriates of large or small Chinese private firms, carrying out businesses such as manufacturing and supplying medical and education equipment in Brazil, supplying oilfield facilities manufacturing paper and paste sources in Kazakhstan, providing IT and security services in Sudan, and offering telecommunication services in Russia. They commonly claimed that “Bringing domestic supply chain to the host country in a fast responsive way create margin for CMNEs” (interviewed expatriates of small private firms in Khartoum in 2008, San Palou in 2009, Almaty and St Petersburg in 2010, Dubai in 2011, Dar es Salaam in 2013 and Addis Ababa in 2014). One of them in Almaty elaborated: “If an accident happened here in the oilfield and urgent replacement is needed, I am able to supply whatever they need through my rich storage, or calling partners in domestic market to have an express delivery, or even requesting domestic suppliers to manufacture immediately”. Another expatriate in San Palou puts: “When I sense out what medical equipment is highly demanded, I gather designers here in Brazil to get a draft on what the product looks like. I will then travel to China, searching for the best supplier. There are too many to choose but I will choose the most reliable one to ensure quality and delivery”. In the interviews, low turnover was mentioned as a serious issue: “local employees simply leave the company if they are not satisfied with their treatment or they have enough money for living for a few days. They are different from our Chinese who always want to save money for the future. Thus, relying on locals often cause uncertainty for our work progress. Such situation would not exist if we use the Chinese, as our company sponsored them to come overseas and they dedicate to our company. Also, they get use of working after hours so can always meet the demand of our deadline”

(CEO, Changzhou textile, interviewed in CEO, Khartoum Refinery Corporate, interviewed in Dar es Salaam, 2013).

Expatriates support and management

In order to manage this large number of expatriates, CMNEs have established and developed various policies and systems. From the interview, we found that CMNEs has a long history sending expatriates overseas through Chinese international aided projects which started in the 1950s and more than 2,100 projects in 160 countries had been completed by 2010. These Aid projects provided the first opportunity for Chinese firms to learn about how to operate an international project and manage expatriates. Among them, the Tanzania and Zambia railway construction project (1967-1976) was the largest Chinese aid project. The Chinese government provided a no-interest loan of CNY 988 million and sent 56,000 engineers over there for the project. That was the first time that the Chinese firms had to deal with such a massive expatriate team under the extreme difficult situation. Chinese firms have accumulated the experience and created its own way in managing massive expatriates overseas from these projects. The approaches used by Chinese MNCs show the following characteristics:

Tight control. CMNEs established various political, economic and social mechanisms to control the operation, movement, safety and security of expatriates, especially for large state owned CMNEs Politically. CCP (Chinese Communist Party) members regularly attend party activities organised by party subsidiaries in the company and the host country. Economically, most CMNEs kept the salary and reward of the expatriates inside their headquarters' system, i.e. the mother company in China distribute expatriates' salary and other income. Small private firms had

various ways. One CEO of a private construction firm in Dubai introduced his “innovative way” of managing his brought in expatriates (interviewed in Dubai, 2011): “Do you know why my company has been always competitive than other Chinese construction firms in Dubai? I have an innovative way to manage my employees. In other companies, workers often go to casino or other entertaining venues after receiving their salary. They may lose all the income by gambling so come back to the construction site with no energy and mentality to work hard and with focus. As they lost money instead of contributing to their family in China, issues like divorce and argument also distract their attention to work here. What I do is that I transfer their salary and bonus directly to the account of their wives or other family members in China. Hence, they have little money to go gambling; their families are happy and support the husbands work even harder. This is why my workers have higher productivity than other companies”. Socially, CMNEs often arrange their expatriates living together, which is convenient for managing and controlling expatriates.

Monetary and spiritual incentives: Most expatriates agreed that higher income offered for the international assignment was a key motive. In these companies, an expatriate could earn five to ten times of income as the salary at home. The incentive schemes possess Chinese characteristics: salary is lower but compensation is higher; material reward is low but spiritual reward is high. The former refers to the higher salary and overseas compensation, possible allocation of a free accommodation for the expatriate’s family in China, offering a better location household certification (hu kou) or a grant, while the latter refers to a promotion, or a praise (often plus prize) at corporate level for the overseas service, or further training in universities with tuition fees paid by the company (Head, CNPC Sudan Head Office, interviewed in Khartoum, 2008).

However, a good number of expatriates claimed that they came overseas “not for money”. One subsidiary head responsible for a wind power project in Ethiopia even claimed that “I do not remember how much more income I receive for being an expatriate. I came here not for money. I am foolish in the eye of some people” (Interviewed online, 2014). Later on he admitted that he came overseas because the company needed him and he had the knowledge required by the project in Ethiopia. There were “spiritual rewards” that CMNEs used to inspire and encourage expatriates to work hard for the companies. For example, CNPC holds annual conference at the beginning of each new year to announce the rewards to expatriates who made outstanding breakthroughs in innovation, won a large amount of overseas contracts or served overseas for 10 years or longer, and so on. The headquarters not only granted the individuals money and certificate, but also advocate their achievement in the entire corporate group. Some expatriates also stated that they had no choice as their leaders selected them.

Self-contained support .This is one of the approaches in Chinese MNCs to deal with national cultural difference and challenges in a host country. CMNEs often arrange their expatriates living together, which is convenient for managing and controlling expatriates. Small firms or early stage large firms with one or few expatriates allowed them to rent private accommodations or stay in cheap hotels. Large companies with stable business hire a building with dozens or hundreds of accommodations for their expatriates. A good number of labour workers lived in dormitories specifically built for a project or hired from host government or other companies. For companies constructing projects, they built temporary sheds or simple accommodation on or near the operation site. One of our authors lived with the expatriates in all these types of accommodations to observe the expatriates’

work and living. The conditions varied across countries and companies. For example, in Sudan, CNPC hired several private houses with over 20 rooms for managerial expatriates. The houses were protected by two armed security guards hired from a local company for 24 hours seven days. In Africa the accommodation conditions were very basic in general. In contrast, in Brazil Huawei hired part of the building for its technical and managerial expatriates in one of the most luxury and also safest communities. In countries with poor security condition, CMNEs were more concerned about the safety: "When choosing the suitable accommodations, we always place safety and security as first priority but also considered the convenience for our projects and businesses (Head, CNPC Sudan Head Office, interviewed in Khartoum, 2008). In countries with relatively good conditions, CMNEs were more concerned about how to locate them to protect the company reputation, make incentive for expatriates and also attract local talents, as confirmed by Huawei UK, Huawei Brazil and CSCEC South Pacific in Singapore. As CMNEs mainly operated in developing countries with relatively poor infrastructure and safety security, these approaches severely restricted expatriates' social and even normal life. For example, in Sudan the house with 24 hours security guards had a strict gate opening and closure time. The author who rented a room in the house was warned not to go out alone and by walk. She was also asked to return the house before 10pm. She was locked outside once due to interviewing a local manager until 10pm.

The self-contained support has reduced the cultural shock and homesick to some extent. However, this has led to the expatriates being isolated from outside and increased mental problems. For example, in a remote dam construction site, thousands of expatriates lived in temporarily build dormitory. Although the CMNE made great effort to offer entertaining facilities including playing cards, karaoke,

basketball etc., there were reports that expatriates committed suicide due to feeling too lonely (An expatriate in Sudan, interviewed in Khartoum, 2008).

Moreover, the self-contained support caused concerns and culture shock to the locals. During fieldworks we observed and heard from local interviewees that the Chinese prefer to stay together and isolate from local community. “The Chinese planted their own vegetables, eat in their own restaurants, and attend their own gatherings. However, they are rarely participating in local activities” (A Sudanese family, interviewed in Khartoum, 2008). While asking Chinese expatriates why that was the case, they often replied that “you see, I don’t speak the local language well and don’t know local customs, so I cannot communicate with them” (A private firm expatriate, interviewed in Sao Palou, 2009). Local interviewees confirmed that language is an obstacle, but they often pointed out that the Chinese had some bad habits which locals were difficult to accept. One Ethiopian expert working in a Chinese company stated, “Look, you interview me and I speak to you with a low voice, and this is our culture. However, the Chinese I work with are often loud and sometimes they shout each other. Example again, they sometimes come and smoke, but I always say to them ‘you have to smoke outside’” (A senior Ethiopian manager of the Eastern Park Corporation, interviewed in Addis Ababa, 2014). Such culture conflict was common which had caused wide criticism and trouble for Chinese expatriates.

DISCUSSION: UNIQUE FEATURES OF CHINESE HR STRATEGY AND EXPATRIATE MANAGEMENT

This paper aims to discover the reasons why Chinese MNCs use expatriates in such large numbers and the approaches how they manage such a large number of

expatriates overseas. From our findings above, it is shown that CMNEs' have been using expatriates extensively at all levels. One of the initial drivers to hire a large number of expatriates was the availability of a surplus labour force in the domestic market in 1980s that needed an employment opportunity. However, more strongly, the characteristics of the Chinese expatriates perhaps pushed for employment of expatriates in such large volumes. These characteristics include: low cost of labour, hard work, flexibility to local requirement and high skills in application. These features have facilitated and contributed to the distinctive capability of the CMNEs' to produce 'value for money' products and projects, including fast, low cost and tailored services demanded by the host countries.

The reliance of Chinese MNCs on a large number of expatriates for their overseas operations is also related to their unique approach to managing these expatriates. Originally created from the international aid in 1970s, our findings show that the Chinese approach to managing the expatriates could be described as 'tight-control, monetary and spirit reward, internal and self-adaption'. 'Tight control' relates to strict discipline for the expatriates to follow. This not only facilitates for labour efficiency but also risk avoidance as Chinese MNCs were often dealing a host country that had unsafe and unstable conditions. 'Monetary and Spiritual Reward' binds the expatriate's commitment to work and organisational requirement. 'Collective accommodation' ensures efficiency and safety while 'Internal and Self-adaption' is related to creating an isolated home environment. For instance, offering Chinese food and entertainment for the expatriates which helps avoid the culture shock and homesickness. These approaches result in the management of a large number of expatriates in a host country and also creation of an efficient work force.

The dependence of Chinese MNCs on expatriates emerges out of their knowledge characteristics. It has been argued that China has still been in the learning process in internationalisation since it was a latecomer (Zhang, et.al, 2014). When the MNCs explored overseas operations, they were not completely ready with their learning process and their knowledge characteristics were more tacit and often embedded in their brain. So this made it difficult for them to transfer it to the locals. This led the Chinese MNCs more willing to use the expatriates.

Furthermore, the reliance of Chinese MNCs on expatriates is also demanded by the host country. Although most of the Chinese MNCs expressed their interest to rope in expatriates, majority of them were concentrated in developing countries owing to the local regulations on hiring expatriates. It should also be pointed out that the size of expatriates varies in different types of organisations and sectors. Large volumes of expatriates were mostly seen in state-owned companies, infrastructure and manufacturing sectors. This is because the state owned companies have more responsibility to sort out the surplus labour issue and infrastructure and manufacturing sectors involve intensive labour work. However, on the other hand, heavy use of expatriates by the CMNEs, particularly as labour workforce, has caused various issues attracting wide controversy and criticism (e.g. Lee, 2009). In fact, over the years, we have observed that CMNEs have been reducing the numbers of expatriates and started recruiting more locals. The reason for this decline is threefold: First, large number of expatriates has caused some negative impact in the host countries. The Chinese central government is attempting to reverse this by discouraging the dispatch of expatriates overseas. Second, the rising cost of using expatriates owing to the increase of the labour cost in Chinese domestic market. Last, the host countries are requesting CMNEs to use more locals.

CONCLUSION

This paper explores whether and why the CMNCs involved a large number of expatriates in their overseas operation and how they managed these expatriates. We found that CMNCs used a different HR strategy and expatriate management approach in their internationalisation process. The roles and characteristics of Chinese expatriates are hugely different from those in AMNCs, where their roles are more focused on the application and operation by themselves rather than transfer of knowledge into the locals. Therefore, their competencies are also more related to follow the order and work hard. Moreover, owing to their reliance on leveraging home resources and tailoring them to local requirement, the fast response and skills integration are more important to Chinese expatriates.

The unique characteristics of expatriates and their management approaches hugely reflect the level of development of Chinese companies and their domestic capacity. Unlike the AMNCs whose focus is on transferring superior technology or best practices, Chinese MNCs using labour resources to create the competitive advantage, particularly in leveraging on the unique characteristics of the expatriates, utilizing home resources optimally and tailoring the products and services to meet the local requirement. China may lose its low cost labour resources in the future but the aspects of hard work, flexibility and quick response reflect both dimensions of a global business strategy – integration and responsiveness. It may imply that although the ‘dominant effect’ influence exists, there is always some diversity, which provides the opportunities for MNCs from the developing countries to create their distinct capacity to compete in the global markets. However, Chinese MNCs will need to deal with the issues in managing their expatriates and provide further

support and development for them if they want to keep a sustainable global workforce for the competition.