Theoretical contexts of managing people in emerging Chinese multinational enterprises

Connie Zheng
Graduate School of Business, Deakin University, Burwood, Australia

Abstract

Purpose – This article aims at reviewing existing theories relevant to human resource management (HRM) and providing theoretical contexts to explain the importance of managing people across borders for emerging Chinese multinational enterprises (MNEs).

Design/methodology/approach – Based on a literature review approach, the author examines the phenomenon of emerging Chinese MNEs from the lenses of three streams of theories: organisation-based view; resource-based view; and institution-based view.

Findings – Existing theories offer sufficient insights to explore differences between emerging and established MNEs, particularly in strategic international HRM research. First, Chinese EMNEs were driven to internationalising by different motives, thus creating impact on the strategic choice and global HRM policy consideration. Second, Chinese EMNEs are operating under constantly changing institutional environments, both at home and in host countries. As a result, they are required to balance and rebalance the choices made in formulating and implementing IHRM strategies. Third, there will be different internationalisation outcomes pursued by Chinese EMNEs. Therefore, IHRM policies and practices are to achieve individual, organisational and societal well-being.

Research limitations/implications – The article has important implications for HRM theory and research. It may lead to developing relevant analytical frameworks for future research in Chinese human resource management. It is also beneficial to understand the formation and implementation of HRM policy and practices in EMNEs originated not only in China, but in other developing countries.

Originality/value – This article contributes to the international HRM literature in relation to Chinese emerging MNEs from a theoretical perspective. Synthesizing existing core theories with examples from Chinese MNEs, it proposes future research directions for analysing further development of such enterprises.

Keywords Organizational theory, Resource-based view, Institutional theory, Emerging multinational enterprises (EMNs), International human resource management, Multinational companies, Human resource management

Paper type Literature review

Introduction

The rapid expansion and unique traits of emerging market enterprises (Alon and McIntyre, 2008; Buckley et al., 2007, 2008; Child and Rodrigues, 2005; Hong and Sun, 2006; Luo and Tung, 2007; Zhang, 2005) have posed rising challenges of managing people in emerging multinational enterprises (EMNEs), especially those originated from China (Scullion et al., 2007; Shen and Edwards, 2006; Herbert et al., 2007; Zheng and Lamond, 2009b). EMNEs are those firms based in emerging markets such as the BRIC and VISTA countries of Brazil, Russia, India, China, Vietnam, Indonesia, South Africa, Turkey and Argentina (Hennart, 2012). In the past two decades, these EMNEs have actively invested abroad, directly competing with established MNEs. Their total foreign direct investment (FDI) outflows have accounted for 25 per cent of global FDI outflows and are continuously rising (UNCTAD, 2010). For many Chinese companies in 2012, their acquisition of US companies and other assets, especially those offering access to market share, technology, or other resources in the markets, has reached a “record pace” (Knowledge@Wharton, 2012).

EMNEs operate not only in the developed world but also in the developing countries spreading across Africa, Asia and Latin America (Luo and Tung, 2007; MOFCOM, 2009). These countries have different national cultural norms, values and contexts, which impact on design and delivery of corporate human resource management (HRM) policies and practices across borders (Brewster et al., 2005; Thite et al., 2012). This has posed additional challenges to HRM professionals in EMNEs who comparatively have had less exposure to international businesses than their Western counterparts. When extending management theories to, and testing them in different contexts, it is necessary to analyze the complexity of how EMNEs have dealt with international HRM
(IHRM) in pursuing business success. Even though Laurent (1986) has called “to solve a multi-dimensional puzzle located at the crossroad of national and organisational cultures” almost three decades ago (Laurent, 1986, p. 101), the puzzle has yet to be fully addressed, especially when more players in developing countries such as China have emerged on the international business stage.

The purpose of this paper is, therefore, to examine and analyse the current debates in the field of IHRM in the specific contexts relevant to EMNEs from the lens of three broader theoretical underpinnings of IHRM, organisation-, resources-, and institution-based views (IBVs) with particular reference to the Chinese EMNEs. As such, the paper intended to contribute to redefining the concept of IHRM applicable to EMNEs, and frame the precedents and antecedents of IHRM in EMNEs. It will also provide direction in IHRM research and practice addressing needs for effective people management in EMNEs.

Current debates on IHRM

Ever since Laurent (1986) started framing the concept of IHRM, the literature has grown rapidly with diverse views (Scullion et al., 2007). General consensus, however, seems to suggest that IHRM is different from that in the domestic arena because it focuses more on the effective management of human resources in global markets for MNEs, as opposed to HRM practices only dealing with employees within national borders (Morgan, 1986). Furthermore, it is suggested that the aim of IHRM is to gain a key source of competitive advantage and to be globally successful (Dowling and Schuler, 1990; Schuler and Tarique, 2007; Dowling et al., 2008).

Deeper reflection on the broad definition of IHRM results in several observations. First, IHRM is not a stand-alone subject but encompasses several areas, of which MNE, especially in reference to emerging MNEs, is an important area of investigation in its own right in recent time (see special issue on “Internationalisation of Chinese firms” (Journal of World Business, 2012, volume 47, issue 1); and special issue on “Emerging multinationals: outward FDI from emerging and developing economies” (Journal of International Management, 2010, volume 16, issue 2)). Scholars in the field of international business have been actively engaged in vibrant discussions on developing new theory to explain the growth of MNEs in emerging economies (Oetzel and Doh, 2009). Whether a new theory explaining the motives and drivers of these EMNEs is itself a debatable issue (Meyer, 2010), it is commonly understood in the literature that organisational motives drive strategy formulation and implementation, and determine organisational structure and management systems, including HRM system. Hence, it is important to compare the different motives of established MNEs to those of emergent MNEs to understand the potential new drivers of IHRM. These motives are to be discussed in more detail later.

Second, the defined concept of IHRM tends to suggest that the purpose or driver of IHRM is to enable MNEs to gain “competitive advantage” and “to be successful globally.” “Success” for a MNE, especially in the North American context, is often measured in terms of being “competitive, efficient throughout the world; locally responsive, flexible and adaptable within the shortest of time periods; and capable of transferring knowledge and learning across globally dispersed units” (Schuler and Tarique, 2007, p. 743). Largely, the focus of success is centred on the MNE’s ability to monitor, control and develop a global workforce and gain internal firm-specific advantages, i.e. internalisation process according to Dunning’s (1981) eclectic theory, in order to compete globally. Yet, country-based advantages and global village concerns of what constitute “success” tend to be neglected. In light of recent discussion, it is EMNEs’ “competitive disadvantage,” sometimes even “comparative disadvantage,” both within their own firm and country of operations that have driven EMNEs to go outside the norm and search for global niche markets (Kim and Mauborgne, 2005). There appear to be other inherent drivers of internationalisation and goals of newly-developed MNEs not incorporated in the conventional definition of IHRM, which require further inquiry.

A third observation relates to the issue of effective management of human resources in global markets. While it is easier to understand effective HRM in an organisation within a single country, effective HRM in the global context adds complexity because of the involvement of diverse cultures and different categories of employees (Dowling et al., 1998; Evans et al., 2002; De Cieri et al., 2007). Strategies on allocating, deploying and developing resources in the dynamic geographic locations to add value to MNEs in the global environment should be a focus of IHRM, not just addressing the differences between domestic and IHRM, as often discussed in the mainstream IHRM literature (see, for example, the most recent text on IHRM by Beck (2010)). Strategic IHRM (SIHRM) focuses on HRM issues, philosophy, policies and practices per se as a direct result of the strategic direction by MNEs and their constituents to achieve internationalisation goals (Sparrow and Braun, 2008, p. 78). SIHRM is, therefore, a critical link between international business and strategic management. It is believed that SIHRM should also be treated as a centre of concern when examining the people management issues of emerging MNEs (Thite et al., 2012).
Theories underpinning SIHRM

Perhaps never in any field of study other than HRM have there been so many confusions between theories versus applications and practices. A good theory explains the phenomenon and answers the simple question of “why” additionally to “how” and “what” (Whetten, 1989; 2009). It is argued that answers to the latter two questions are more in line with applications and practices, not theories. Three fundamental theories, organisation-based view (OBV), resource-based view (RBV) and IBV, are used to explain why a firm practices HRM; they are not used to explain how and in what aspect the firm should practice HRM. A considerable research effort, nonetheless, appears to be devoted to exploring a lengthy dichotomous list of HRM approaches and taking them literally as theories. These include hard vs soft; control vs commitment; instrumental vs humanistic; unitarist vs pluralist; universal vs particular; best practice vs best fit; descriptive vs prescriptive; domestic vs international; and strategic vs functional approaches (Legge, 1995; Guest, 1997; Truss et al., 1997; Dowling et al., 1998, 2008), to name a few. These HRM approaches perhaps are theoretically based, but arguably not theories themselves.

Furthermore, researchers in the HRM field tend to develop conceptual frameworks through empirical analyses, and these frameworks or models are often taken literally as theories. A classical one is Beer et al.’s (1984) Harvard model of HRM, not to mention the Michigan model (Devanna et al., 1984), the London model (Guest, 1997), and the New York model (Schuler et al., 1993; Beardwell and Claydon, 2007; Kramar et al., 2011). This appears to be quite misleading, inevitably resulting in analytical and methodological confusions. It is important to note that, especially in the context of recent debate on theory creation versus theory application in the area of Chinese management research (see Wang, 2012; and for a comprehensive overview of these debates, see Management and Organization Review (2009), volume 4, issue 1).

From a theoretical perspective, why a MNE should endorse strategic HRM should be equally applicable to EMNEs. The question of whether EMNEs use different HRM approaches or whether their practices have achieved desirable outcomes is not a theoretical issue but an application one deserving a separate analysis. In what follows, I discuss why existing theories still hold robustly to inform and, more importantly perhaps, to guide Chinese EMNEs of their necessity to take SIHRM seriously, despite different paths and approaches taken by EMNEs to managing their international operations.

The OBV

The literature has presented three fundamental theses to explain the rationale (that is, to answer the “why” question, not “how” and “what”) of HRM in a firm. The first theory, or more precisely “theories”, as they are indeed a group of theories, was developed within the realm of behavioural sciences. The field of behavioural sciences includes a multitude of disciplines such as personnel psychology, organisational psychology, organisational behaviour (OB), organisation theory and design, organisation dynamics, and organisation science developed through the systematic study of organisation over almost a century. The main organisational theories are:

- classical theory;
- neo-classical theory;
- bureaucratic theory;
- systems theory; and
- contingency theory.

Among these theories, classical and neo-classical theories relate largely to explaining different approaches taken by organisational managers in people (Fayol, 1949; Samson and Daft, 2009), whilst bureaucratic and systems theories explain the reasons for system design and various reporting/commanding lines with policy and procedures to address people management (Weber, 1978). The contingency theory appears to pick up all left-overs (Burns and Stalker, 1961; Chandler, 1962; Lawrence and Lorsch, 1967; Mintzberg, 1979; Kutans, 2011). None of these theories are void of assumptions and value judgment, yet they are generally based on the accepted principles – the law governs human behaviors regardless of where the human groups reside and how different they may look. This set of theories is referred to as OBV because the field of HRM is essentially embedded in personnel and organisational psychology, particularly interlocked with OB (Zheng and Lamond, 2009b).

A growing body of empirical studies testing the effects of HRM policies and practices on organisational performance has agreed that HRM policies and practices do not directly affect organisational performance. However, the changes of both individuals’ and organisations’ behavioural outcomes as a result of implementing HRM policies and practices would have affected changes in performance (Huselid, 1995; Becker...
and Huselid, 1999; Becker et al., 2001). Therefore, the mainstream strategic HRM theoretical developments strongly relate to a behavioural perspective grounded in the OBV (De Cieri et al., 2008; Schuler and Jackson, 1987).

The behavioural perspective as related to various HRM approaches is closely associated with two well-known organisation theories. The first is classical scientific management (so-called Taylorism, or the utilitarian, instrumentalist, hard approach or Douglas McGregor’s Theory X type) with clear association with the analytical framework by Devanna et al. (1984) as the Michigan model. The second is the neoclassical human relation theory from Mayo’s Hawthorn experiment, or so-called developmental humanistic and soft approach; Theory Y type – better represented by the Harvard model (Beer et al., 1984). There has been extensive debate about the application of these two theories in the realm of HRM (Storey, 1992; Legge, 1995; Truss et al., 1997; for a more recent review of the debate, see Beardwell and Clark, 2007).

An underlying argument is that no firm has purely adopted either theory, in fact, most firms would be more likely to embrace “the tenets of the soft, commitment approach” especially by management, whilst their employees likely experience “the hard, strategic control, command HRM approach” (Truss et al., 1997, p. 53).

Many scholars suggest taking both reality and rhetoric into the conceptualisation of HRM (Legge, 1995). So far, however, the theoretical development of HRM taking competing factors into account has not been operationalised. In practice, the “carrot” and/or “stick” approach embedded in the OBVs are still used by management to motivate and maneuver their workforce. It is suggested, therefore, that these two classical theories relating to HRM contain certain accepted principles which transcend time and space, despite the underlying assumptions and value judgments withheld by the theorists.

To extend the above debate into the context of Chinese EMNEs, a question is whether the organisation-based theories guiding the firm’s uptake of HRM in the West are equally applicable? In a recent review, Zheng and Lamond (2009a) have demonstrated the evidence of both the instrumentalist and humanistic management approaches in ancient Chinese texts. A Chinese idiomatic expression, using both soft and hard approaches (ruan ying jian shi) to reaching the goal of persuasion and conviction, is akin to the classical and neo-classical theories. In addition, Sun Tse’s war strategy typically emphasised the combined use of reward and punishment to acquire, train and retain the best. The idea of using both soft and hard methods to retain the most committed, loyal and fittest personnel is pivotal in the classic novels such as The Romance of the Three Kingdoms (San Guo Yan Yi) and Outlaws of the Marsh (Shui Hu Zhuan, recently translated as All are Brothers), well-known by most Han Chinese. These widely-practised people management approaches in and around the Greater China region are heavily embedded in the organisation-based theories, although they may not in concrete theoretical terms be expressed in the West. Similarly, the key focus of any organisation is to gain the best people with rare attributes and abilities. In particular, Chinese firms stress the importance of people to build strong and lasting organisations ( ). These ideas are closely in line with the following RBV.

Resource-based view

The second theory explaining the rationale of HRM in a firm is the well-known RBV initially developed in industrial organisation economics (Penrose, 1959; Wernerfelt, 1984; Barney, 1991), now applied in most major business and management fields (see a comprehensive review in Journal of Management, 2001, 27: 6; or Armstrong and Shimizu, 2007). The RBV has a clear association with strategic management that focuses on building unique organisational competencies and capabilities to achieve sustained competitive advantage. Extensive research has been devoted to the link between HRM and RBV (Wright et al., 2001), particularly how HRM outcomes (building blocks of valuable, rare, inimitable, non-substitutable resources) may support implementation of the organisational business strategy (Miles and Snow, 1984; Schuler and Jackson, 1987; Boxall, 1996; Kamoche, 1996; Colbert, 2004).

It is not my intention to verify the above link as it has been extensively discussed in the literature (Peng, 2001, 2003). Instead, my focus is on the recent debate centred on the legitimacy of using RBV to explain the rapid expansion of international businesses by emerging MNEs. As argued by Peng (2003), the IBV better captures the contents in global strategy of emerging MNEs (see also similar argument by Dunning and Lundan, 2008; Meyer, 2006). These discussions emphasise the context of different internationalisation paths, driven by the different motives of established versus emerging MNEs. Barney et al. (2001, p. 649) suggest that the RBV “can be applied in several different ways and that the way it should be applied depends mostly on the empirical context of the application”. Hence it is necessary to broaden the application of RBV in the changing contexts (Barney, 2001a) and to extend the debates on using various resource-based theories to explain the development of EMNEs and associated IHRM strategies.

The RBV is closely linked to neoclassical and evolutionary economic theories, though with totally different assumptions, explained by Barney (2001b) in his reflection on the development of the RBV ten years after the
theory was first proposed. The RBV assumes market disequilibrium, as opposed to equilibrium by neoclassical, and inelastic supply of production factors to justify firms’ devotion to internal capability building and creation of firm-specific assets including human capital. The RBV also assumes that “strategic resources are heterogeneously distributed across firms and that those differences are stable over time” (Barney, 1991, p. 203), as opposed to the changing routines and resources via the three fundamental processes of “variation, selection and retention” (Nelson and Winter, 1982) in the evolutionary theory. These differences in assumptions have caused heated debate on whether the RBV is indeed useful or applicable to strategic management research (Barney, 2001a; Priem and Butler, 2001).

In the context of emerging MNEs, there has also been growing contention about using the RBV to explain the drivers of internationalisation in emerging economies and firms. The common themes dwell in Dunning’s (1981) eclectic paradigm or ownership-location-internalisation (OLI) model, which is essentially grounded in the RBV. These theories explain the path-dependent expansion of established MNEs, whose domestic contexts were very different from those of emerging MNEs. Take Huawei, a Chinese giant in ICT solution, as an example. Its rapid internationalisation process has only taken less than ten years. The result was largely due to massive global acquisition and merger (M&A) activities supported by the Chinese Government despite Huawei originating as a private firm (www.huawei.com). How would one explain the advantages gained from state support, dynamic capabilities developed via massive M&A and joint ventures undertaken by EMNEs in recent years, such as Huawei? Their practices were not quite path-dependent, but applied the concept of international entrepreneurship to accelerate the process of internationalisation (Oviatt and McDougall, 1994; Mathews and Zander, 2007).

Perhaps coincidentally, a number of scholars (Hoskisson et al., 2000; Meyer and Peng, 2005) have re-considered the neoclassical economic theories and brought in the transaction cost and agency theories to explain the role of the state and M&A among EMNEs. The Uppsala process model (Johanson and Vahlne, 1977) and the evolutionary theory (Nelson and Winter, 1982) are also used to understand key internationalisation characteristics of EMNEs. Mathews (2006) uses a 3L model (learning, linkage and leverage) to treat EMNEs as technology learners, knowledge acquirers and market power accumulators (also see Sun, 2009; for the detailed application of 3L model to Chinese firms, see Li, 2010).

Heilan, a giant Chinese apparel and accessories corporation, clearly demonstrates unique attributes as an emerging global company operating in several developed and developing countries. Following the 3L model, Heilan started as a meagre textile manufacturer, quickly formed a complete global supply chain in the garment industry via joint-venture with Italian Canali and French AutaSon and imported advanced production equipment from Germany, Italy, Switzerland and France. Heilan also uses its 20 subsidiaries spreading in New York, Paris, Milan, Osaka, and Hong Kong to tap into the latest fashion trend and technology for world apparel collections and high-grade suiting. Through these exercises, Heilan has strengthened its internal capabilities and has established its own Sancanal collections, which are recognised not only as the first choice for domestic customers, but increasingly known as a high-grade, cost-effective business brand for international buyers from developing nations (Interview Notes, 2012a).

The extended RBV theories shift the focus from internal capability building to making a linkage between internal and external environment and leveraging the existing global supply chain and open access to worldwide technology, financial and human capitals. It is evident that the approach has been adopted by Chinese EMNEs to create strategic dynamic capabilities (Teece and Pisano, 1994; Eisenhardt and Martin, 2000). Additional to the three primary motivations in market-seeking, efficiency-seeking and resource-seeking (Dunning, 1981), Chinese EMNEs are also driven by technology-seeking, and strategic asset (both natural and rare resources), as well as diversification-seeking because of the imperfect domestic capital market and institutional factors (Deng, 2004; Buckley et al., 2007). Very likely, the diversification-seeking nature of Chinese EMNEs is preferred not only because of government policy encouragement on technology and management know-how, but also due to the risk in the spread of resources, in particular physical capital (Buckley et al., 2007).

The trade-off between comparative disadvantage and management knowledge acquisition is much applicable to M&A tendencies and activities demonstrated in Chinese EMNEs.

Grounded in the IBV, Meyer (2006) identifies both internal and external drivers for EMNEs. These drivers were believed to have greatly influenced EMNEs’ resource endowment, and shaped their strategic shifts to internationalisation. It is important to understand these motives and drivers. As earlier mentioned, the motives of MNEs drive their strategy formulation and implementation, and determine organisational structure and management systems, including their international HRM practices. These drivers are to be examined next in light of institution-based theories.
The IBV

The third fundamental theory guiding organisational HRM practices, and the one probably best differentiates the understanding of emerging MNEs, is the institutional theory. Institutional theory focuses on “the influences of the systems surrounding an organisation that shape social and OB” (Hoskisson et al., 2000, p. 252; Scott, 1995). The central argument of institutional theory is that:

[...] the behaviour of organisations is a response not solely to market pressures but also formal and informal institutional pressures from regulatory agencies, such as the state and the professions, and from general social expectations and the actions of leading organisations (Pauwue and Boselie, 2003, p. 59).

Perspectives derived from examining the institutional influences have a strong sociological and political science orientation (De Cieri et al., 2008). The institutional theory similarly contains classical (or historical institutionalism) and neoclassical institutionalism (Pierson and Skocpol, 2002; Hall and Taylor, 1996). It has, in recent times, been commonly applied in strategy and management research, especially in explaining rapid growth of MNEs from the developing and emerging economies (Peng and Heath, 1996; Meyer, 2004; Dunning and Lundan, 2008).

Two streams of ideas by Peng and Heath (1996) and Pauwue and Boselie (2003) have provided insights into how the institution theory can be applied to explaining the reasons behind the rapid internationalisation of EMNEs and their IHMR strategies. Under the debate on the RBV, it is mostly understood that the motivations of EMNEs are mainly resource-seeking or assets/opportunities-seeking (Luo and Tung, 2007). Under the realm of the IBVs, there are other reasons for EMNEs to promote the internationalisation which are different from those of the established MNEs. Typical Chinese firms in the transition period from a planned economy to a market-based economy would be under pressure to learn the game of international competition (Peng and Heath, 1996). It is the competition from external sources, including many of the powerful Western multinationals penetrating into domestic markets after China joined the WTO, that has pushed Chinese firms to grow market segments internationally. In fact, this is not only the case for state-owned firms, but also for other types, such as newly-established private ventures and niche entrepreneurs, e.g. Huawei and Heilan.

These firms from emerging economies have been pushed to internationalise because of domestic and global competition (Luo and Tung, 2007; Yamakawa et al., 2008).

At an initial stage, Chinese EMNEs, especially state-owned enterprises (SOEs), lack the excess resources (including physical, human and financial resources) possessed by a typical Western firm as a precondition for growth (Penrose, 1959). To overcome this disadvantage, they rely heavily on government policy and resource support with a “deliberately designed grand plan” to facilitate the growth of emerging firms and “to establish their competitive positions more solidly in the global marketplace” (Luo and Tung, 2007, p. 484). For example, a signature firm, Haier, has been constantly praised by the Chinese Central Government and its media Xinhua News. Its founder Zhang Ruimin has been appointed to an alternative member of the 16th, 17th and 18th Central Committees of the Communist Party. Haier’s global expansion to the USA, Japan, South Asia, Middle-East and Africa has been strongly supported by the Chinese Government and their HR strategies. In particular, the choice of location for global expansion and staffing of those subsidiaries are largely guided by the Chinese Government foreign policy (www.haier.net/en/about_haier/history).

Given the institutional uncertainties, it would be unlikely for organisations from the emerging economies to undertake generic internalised expansion for internationalisation. Instead, Chinese EMNEs would be more likely to grow internationally through boundary blurring, or by means of a relational or network-based growth strategy. Top managers of SOEs may “choose to rely on personalised exchanges and build external networks as strategic alliances to facilitate economic exchanges while avoiding the politically difficult task of ownership transfer” (Peng and Heath, 1996, p. 513). This network-based growth strategy was further developed into the concept of “co-opetition” by Luo and Tung (2007), suggesting that many emerging organisations have, indeed, been able to build networks and transformed their global rivals into alliance partners, by both cooperation and competition to achieve complementary benefits in both home and host markets. An underlying condition of taking this approach is the willingness of global players to share or sell information and strategic resources, enabling EMNEs to learn and leverage technology and management know-how much faster (Mathews, 2006). The earlier-mentioned Heilan Group has illustrated its position to take advantage of global free flow of information and unique supply chain in the garment industry to build their global competencies and capabilities.

Extending to the network-based and co-opetition growth strategy, Chinese EMNEs were driven to internationalise because of political and historical ties between home and host country governments. This is
particularly the case of firms operating in the Middle East and west Asia and sub-Saharan Africa, whereby Chinese MNEs tend to be invited as “transnational agents” or “commissioned specialists” (Luo and Tung, 2007) to revitalise the local economy or to network with local firms for industrialising the ailing manufacturing sectors. Huawei, together with another Chinese telephone manufacturing company ZTE, was recently criticised by the US Congress for having links to both home and host governments to provide spying services in Africa (Ombok, 2012). Although the evidence was not mutually verified, both companies could not deny their association with governments.

In summary, instead of developing a new theory, the above theories, OBV, RBV and IBV, serve well to explain the motives and drivers for EMNEs’ internationalisation. From behavioural and resource perspectives, OBV and RBV can be readily applied to EMNEs and address behavioural changes and global capability building as a result of implementing certain IHRM policies and practices. In the next section, I discuss the implications for SIHRM among Chinese EMNEs in light of IBV.

**Implications of SIHRM for Chinese EMNEs**

As discussed, EMNEs and all MNEs practices are grounded in the institutional environments. According to Paauwe and Boselie (2003, p. 59), the organisational level of HRM philosophy, policy and practice is “often either direct reflections of, or responses to, rules and structures built into their wider institutional environments”. Based on the new institutionalism perspective, Paauwe and Boselie (2003) present two key reasons that organisations are likely to, or should conform to, competitive and institutional expectations when designing and delivering IHRM strategies across borders (Farndale and Paauwe, 2007). The arguments are indeed relevant to address SIHRM in Chinese EMNEs.

First, it is assumed that organisations and people working in them are rational beings likely to act in a homogeneous fashion under the same set of environmental conditions (DiMaggio and Powell, 1983). When EMNEs enter into the global scene, it is assumed that they are now on a par with established MNEs in the free, open and competitive global environment. Whatever global workforce issues required to be addressed by MNEs would similarly be a concern for an EMNE. Otherwise, they would be losers in the competitive environment. Paauwe and Boselie (2003, p. 60) termed this concept “competitive isomorphism,” assuming “a system of rationality, which emphasises market competition, niche change and fitness measures”.

An unstated assumption appears that firms in competitive isomorphism are in a stable institutional condition. Yet, this may not be realistic in the context of EMNEs because they are often operating under changing institutional environments in their home country as well as in highly contextualised host nations. Major institutions affecting organisational management practices in EMNEs tend to be in transition. Thus, it is important to consider the “time” dimension (Peng, 2003), and the “choice” of strategy or management approaches (Hoskisson et al., 2000) adopted by EMNEs to address the potential non-isomorphic disarray.

In making strategic choices in IHRM policies and practices during transition, managers in EMNEs are likely to experience a series of changes to shift their personalised exchange mindset to an impersonal, rule-based economic exchange structure with market-supported formal institutions designed to facilitate such impersonal exchange (Peng, 2003). Despite the openly proclaimed objective of becoming “market economies”, emerging economies, along with the firms in the transition, would “typically end up with a predominantly relationship-based transaction structure first and then may gradually move to a second rule-based structure” (Peng, 2003, p. 280). Personalised exchange structure is, indeed, highly context-based, whilst impersonal ones are rule-based, involving third party enforcement.

Therefore, the rule-based universal HRM best practices may not be readily adopted by Chinese EMNEs in the early stage of internationalisation for two reasons:

1. lacking of global experience, managerial competence and professionalism is likely to be common among EMNEs (Luo and Tung, 2007); and
2. institutions under third party enforcement may neither be readily available both in home and developing host countries, nor compatible between home and developed host countries where Chinese EMNEs are currently operating.

This would require time for adjustment, balancing and rebalancing to achieve the standardised HR practices that are globally acceptable.

Neway Co. is a Hong Kong-based media and entertainment group operating in several countries in Asia. There are clear differences between Hong Kong-based Chinese MNEs and those from mainland China because Hong Kong business environment and organisations have been largely influenced by Western culture and management practices. So people management practices at Neway Co. are generally rule-based, similar to
those in Western firms. However, when Neway established its subsidiaries in Malaysia, Indonesia and Guangdong, a southern province in China, expatriate managers were trained to focus on relationship building and encouraged to adopt the localised HRM practices to help attract and retain local talents and expand their international business (Interview Notes, 2012b). The standardised, rule-based HR practices were regarded as ineffective in Neway’s early stage of internationalisation. In contrast, if Neway expanded its business to a Western country, the adjustment might take a shorter time for standardised HR practices across borders. However, over time, new institutions will be built, and in the case of developed nations, old or existing institutions would be known to Chinese EMNEs. Emerging firms need to react and interact with these institutional changes and search for a way to manage their growing global workforce from non-standard to standard rule-based HRM systems.

Paauwe and Boselie (2003) presented the second reason, using the concept of “institutional isomorphism” (DiMaggio and Powell, 1983), to explain why homogeneous HRM is likely to be adopted across different types of firms, including EMNEs. The argument is that HRM decision-making and strategic choice in organisations are influenced by three institutional mechanisms: coercive, mimetic and normative. Coercive mechanism, with formal rules and regulations sanctioned and enforced by the state, is likely to create external regulatory pressure on determining organisational HRM strategy and policy choices. Mimetic and normative mechanisms tend to be internally driven (Paauwe and Boselie, 2003). They include imitations of strategies and practices of competitors as a result of standard responses to uncertainty, and desire of organisational employees, via management control systems, to conform to professional standards and practices.

In the realm of HRM, there has been an on-going debate on whether global organisations should choose “best practice” or “best fit”HRM approaches (Purcell, 1999). It appears that mimetic and normative mechanisms are in line with the normative HR (Guest, 1997), assuming a set of universal best practices is likely to be pursued by organisations and their practitioners. Empirical research demonstrates the evidence to support such a notion. For example, Lui et al. (2004) have tested both mimetic and strategic orientation in HRM among 248 Hong Kong-based firms, and found that rapid globalisation and subsequent heightened competitive pressure fostered a greater degree of mimetic and strategic HR orientations, leading to a greater use of best practice in HRM. Zhang and Edwards (2007), on the other hand, using in-depth case studies of several the UK subsidiaries of Chinese MNCs, suggest that reverse diffusion of “best practice” positively impacts on the globalisation process of emerging MNEs. It is, therefore, believed that as EMNEs internationalising, it is likely that mimetic and normative mechanisms in play would push them to pursue and adopt HR best practices, both at home and in the host countries.

However, coercive mechanisms may simultaneously be in enforcement, and they are not necessarily those that cause either convergence or divergence from the universally accepted rule. Coercive mechanisms contain positive and negative aspects. Positive coercion would have strong third party enforcement mechanisms to align organisational practices and institutional requirements (Paauwe and Boselie, 2003). In contrast, negative coercion would have weak third party enforcement mechanisms, which are unable to keep global organisations on track, so they do whatever they see fit, creating more divergent practices. For instance, Herbert et al. (2007) claimed negative coercion was evident among the globalising Chinese business enterprises, and argued for the use of the best fit approach by emerging Chinese MNEs because of the many ambient factors derived from the vastly different cultural and institutional settings of home and host countries.

Culture, especially national culture, is often considered the most difficult challenge in the field of IHRM (Laurent, 1986). Cultural and social values as normative forces (DiMaggio and Powell, 1983; Aycan, 2005), when exhibited under weak institutional settings, can be regarded as negative coercive forces. As a result, firms, especially emerging MNEs, can be driven away from adopting universal best practices. These forces interacting with organisational culture, value and desire to conform are likely to direct EMNEs to constantly balance and rebalance their choice of international HR philosophy, policy and practice in order to appropriately facilitate their international expansion and operations (Aycan, 2005).

**Conclusion**

By reviewing theoretical debates on reasons for EMNEs to adopt SIHRM, I argued that extant theories, whether from the OBV, the RBV or the IBV, all provide clear justification on the importance of addressing IHRM issues for emerging MNEs. The differences between emerging MNEs and established MNEs in relation to IHRM can be summarised below.

First, EMNEs are driven to internationalisation by different motives, and this has a significant impact on the strategic choice and global HRM policy consideration. Second, most EMNEs are operating under changing institutional environments, both in the home and host countries. The time dimension in decision-making and
choice of IHRM policies and practices will dominate the adoption of SIHRM of EMNEs for years to come. This issue has hardly been considered in the earlier conceptual development of SIHRM (Milliman et al., 1991; Schuler et al., 1993; Taylor et al., 1996). Third, because of different internationalisation drivers and motives, there are likely to be different outcomes pursued by EMNEs. The goals of EMNEs would be likely to go beyond the boundary of organisation for some global village concerns on balancing multiple stakeholders’ interests, global economic, cultural/social and environmental sustainability, as well as global peace and stability (Zheng, 2013).

Concurring with Beer et al. (1984), the outcomes of SIHRM not only contribute to gaining “competitive advantage” and being “successful globally”, even though these are important organisational goals. Given a closer examination of EMNEs’ practices, especially via media exposure (Teagarden and Cai, 2009), and the notorious record of corporate governance and mismanagement uncovered in the 2008 global financial crisis, the outcomes of EMNEs’ internationalisation would be subject to greater scrutiny and must consider the triple bottom-line to achieve individual, organisational and societal well-being.

Future research on addressing IHRM for EMNEs must consider different internationalisation drivers, balancing of HRM philosophy, policy and practices between home and host countries and addressing both MNE and global concerns.

Recently, Zheng (2013) has made an effort toward this direction by developing an analytical framework to incorporate these factors to properly examine SIHRM in emerging MNEs.

A limitation of the current paper is its centric focus on theoretical analysis on the mainstream organisation and management theses. This approach inevitably misses perhaps more useful theories developed in other fields, i.e. history, sociology and geography, which might better explain human interaction across borders among emerging MNEs. These theories should be explored and reviewed in the future research in order to better understand international talent movement and management among emerging MNEs operating both in developed and developing nations. Furthermore, although I have attempted to use some specific examples to illustrate different internationalisation paths and development of EMNEs, it is necessary to further examine the effects of different cultures and institutions through empirical research. Research in this area may reveal cultural and institutional impacts on design and development of IHRM strategies for emerging multinationals.

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Further reading


**Corresponding author**
Connie Zheng can be contacted at: connie.zheng@deakin.edu.au

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