Chapter 4
International human resource management and employment relations of Chinese MNCs

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1. Introduction

China's participation in the global economy as an outward investor is relatively recent. However, since joining the World Trade Organisation in 2001, Chinese overseas investment has shown a significant and consistent increase despite the global financial crisis. Starting in the early 1990s, Chinese investment was concentrated primarily in the natural resource sector, directly mandated by the state to compensate for the lack of domestic raw materials and energy supply. After Chinese Premier Zhu Rongji announced the country's 'Go global' investment policy in 2002, China's overseas investment picked up steam in other sectors. Under this initiative, the Chinese government encourages domestic companies to expand internationally. In more recent years Chinese foreign investment has been diversifying into the services sector – including commercial services, telecommunications, mining services, logistics and utility infrastructure – reflecting an effort by Chinese investors to move up the global value chain. By investing in Europe, China also partly aims to catch up with global market leaders, tapping into foreign markets for high-value brand assets, technological competencies and other intangibles.

This chapter provides an overview of the findings of academic research on international management in Chinese firms. While the managerial behaviour of Chinese investors in Europe is still little known and the impact of their investment unclear, three important themes emerge from the reviewed literature. First, in contrast to Western MNCs, Chinese companies take a 'light-touch approach' with their European subsidiaries. The following section outlines the managerial implications, in particular for human resource management. The second theme is that Chinese MNCs tend to send abroad a large number of Chinese expats who tend to be inexperienced internationally. This international inexperience of Chinese managers causes unintended home-country effects, which are discussed in the second section. A third theme is that Chinese companies are very diverse, depending on sector, size, geographical origin and ownership type. The academic literature has focused on the difference between state and private ownership. The last section concentrates on the two different ownership types (state-owned and private-owned), aiming to provide a better understanding of Chinese firms' behaviour and their human resource management.

2. Hybrid approach and Chinese human resource management

The existing theoretical work on multinational companies typically questions whether they transfer existing practices and competitive advantages or whether they develop new ones in their host environment (Elger and Smith 2005). The primary assumption in mainstream theory is that multinational companies possess prior competitive advantages (Porter 1980), firm-specific advantages (FSA) (Rugman 1981) or ownership-specific advantages (Dunning 1977), as well as an ability to exploit them abroad (Buckley and Casson 1976). The increasing investment of Chinese firms in Europe opens the question of what kind of best practices Chinese companies bring to and develop in Europe.

Compared with Western MNCs, Chinese multinationals tend not to purposefully transfer practices and policies to Europe. Instead, scholars, including Nolan (2001: 187), question the competitive capability of China's international firms even after two decades of reform in comparison to other global companies. Particularly regarding brand development, R&D and marketing abroad, Chinese multinational companies are said to lack behind Western ones. Most studies on Chinese multinationals abroad frame the home-country effect even more pessimistically. Chinese multinational companies tend to lack expats with international experience and international management skills (Fan *et al.* 2013; Spigarelli *et al.* 2013; Zhang *et al.* 2014; Zhu *et al.* 2005). To compensate for this weakness, Chinese multinational companies tend to invest in particular in Western Europe, to acquire brands, gain international experience and learn technical knowledge and management skills (for example, Child and Rodrigues 2005; Deng 2009; Knoerich 2010; Kolstad and Wiig 2012; Ramasamy *et al.* 2012; Rui and Yip 2008; Wang *et al.* 2012; Zheng *et al.* 2016). These studies suggest that Chinese multinationals have no 'country of origin' advantage (for example, Child and Rodrigues 2005; Di Minin *et al.* 2012). Instead of exploiting their advantages in Europe, Chinese companies commonly invest there to upgrade their technological abilities, global brand recognition and marketing capabilities (for example, Child and Rodrigues 2005; Deng 2009; Rui and Yip 2008; Zheng *et al.* 2016). This different motivation seems to have led to different management processes in the overseas units of Chinese multinationals.

The earlier theoretical work focusing on multinational companies from developed economies investing abroad assumed that overseas units are wholly or partially structurally integrated to exploit their advantages abroad.[1] Multinational companies from China and other emerging economies tend to adopt a partial or no structural integration. There is little evidence that Chinese multinationals employ corporate control measures to ensure the implementation of home-country practices[2] (for example, Cooke and Lin 2012; Fan *et al.* 2013; Zhu and Jack 2016). One study by Liu and Woywode (2013) focusing on 13 Chinese mergers and acquisitions in Germany find that after acquisition, the majority of Chinese companies keep the existing German management and become only passively involved in daily operations by having seats on

1. Examples of theories are the ownership-location-internalization framework by Dunning 1977, the Uppsala model by Forsgren 2002.

2. Yet, the integration mode depends on the firm's international experience, sector and motivation entering the particular market (Graebner and Eisenhardt 2004).

the supervisory board. The acquired companies have to report, and regular meetings take place, but operations remain autonomous (Liu and Weywood 2013). Although the German management teams usually enjoy high autonomy to make operational and even strategic decisions, the final decision remains with the Chinese management (Liu and Weywood 2013). Another study by Cogman and Tan (2010) analysed 120 deals for controlling stakes from the beginning of 2004 to the third quarter of 2008 in Asian cross-border mergers and acquisitions and revealed that more than 43 per cent of the Asian deals involved either limited functional integration or no integration efforts. They argue that the passive managerial approach can be attributed to the relatively low levels of absorptive capacity and cultural-specific influences. The Chinese long-term orientation may fundamentally affect the choice of integration mode. Chinese firms unanimously view cross-border mergers and acquisitions as a long-run investment. They may not expect immediate returns; instead, they emphasise the joint growth potential. This light integration has been labelled a 'hybrid approach' (Kale *et al.* 2009), a 'partnering approach' or a 'light-touch approach' (Cogman and Tan 2010; Zheng *et al.* 2015).

The implication of a limited or no integration approach between the central management and the overseas unit is that the Chinese management gives autonomy to the target firm's management team and therefore is more likely to retain local talents, thus preventing a high employee turnover (Kale *et al.* 2009; Zheng *et al.* 2015). This long-term approach emphasises business stability and makes it possible to retain strategic assets and develop synergies. The latter are achieved by adopting a rather collaborative approach to building up individual- and organizational-level competences as well as ensuring knowledge transfer, including collaboration and teamwork (Kale *et al.* 2009).

Several studies focus on the human resource management aspects of the 'light-touch approach'. One study by Zhu *et al.* (2014) reports that after the deal, the central human resource departments neither directed nor supported overseas subsidiaries in managing labour relations. In an investigation of a Chinese company in Italy, Spigarelli *et al.* (2013) reveal that there are no mechanisms to manage and coordinate human resources. The Italian subsidiary did not receive feedback on the information they sent from the Chinese central management. The examples show that there is a tendency for central human resource departments of Chinese companies to support neither the foreign direct investment process nor mergers and acquisitions nor the foreign subsidiaries. These observations imply that Chinese companies do not develop and apply international human resource or employment relations guidelines. Shenkar (2009) interprets this as an acknowledgement by Chinese multinationals of their weaknesses in international management and coordination. Others conclude that Chinese multinational companies investing overseas fail to recognise the strategic importance of human resource management (for example, Cooke and Lin 2012; Spigarelli *et al.* 2013; Zhu *et al.* 2014).

This 'hybrid approach' provides not only opportunities for the acquiring companies but also for the acquired ones (Liu and Woywode 2013). It enables Chinese multinationals to become familiar with the new context (Cogman and Tan 2010) and creates less disagreement compared with full integration (Madhok and Keyhani 2012). If it is an acquisition, the main motivation for European companies selling their product line or company to a Chinese buyer is the hope of gaining access to the Chinese market. Knoerich (2010), studying the motivation of German companies selling to Chinese multinationals, finds that they not only want to assure their survival in the low-end market and to manufacture lower priced products in China, but also aim for access to funding for research and development from their Chinese buyer. At the moment, it seems that the goals of Chinese multinational companies and acquired Western European companies are complementary to each other. The complementarity of the goals provides not only a foundation for mutual consensus but also triggers this 'hybrid approach', including a high level of post-acquisition autonomy and a low degree of disruption (Zheng *et al*. 2014).

From a Chinese perspective, this hybrid integration process seems similar to Lao Tzu's '*wu wei*' (active non-action) concept. The invisible leader might be more desirable in professional organisations with a highly educated workforce because these types of leaders are able to delegate and empower (Xing and Sims 2011). In addition, this approach preserves harmony, which is a critical feature of Chinese culture (Chen 2002). Maintaining harmony also implies not forcing a situation or being attached to the results, which apparently goes against planning or setting objectives or measuring 'success' with economic or financial accomplishments (Xing and Sims 2011). *Wu wei* is evident in the Chinese chemical company studied by Fan *et al*. (2013) that adopted this Chinese traditional managerial philosophy to transform the company into a learning organisation.

Nevertheless, European managers comment that their Chinese partners from state-owned enterprises lack experience and individual-level absorptive capacity to transfer knowledge (Liu and Woywode 2013). Employees' perception of the acquiring company having inferior skills and little experience can create distrust and even resistance (Empson 2001). Therefore, Chinese multinational companies need to position themselves carefully in European countries. In addition, they require more time and effort during the integration process to win trust (Yildiz 2014). Improvements in the responsibility and global strategy of central management's human resource department would enable Chinese multinationals to more quickly gain a competitive advantage in the world market. The following section focuses on the secondment of Chinese expatriates to the European subsidiaries and what kind of unintended home-country effects arise from this practice.

3. Unintentional home-country effects of human resource management

A second reoccurring theme is the unintended transfer of a Chinese mind-set to Europe. Traditionally, it is said that the transfer of human resource management practices and policies is a critical factor in the success of overseas subsidiaries (for example, Cooke 2012). Because of the 'light-touch approach', Chinese multinational companies appear not to engage in such purposeful transfer processes regarding human resource management. However, Chinese multinationals send more expatriates to their overseas subsidiaries than Western ones do (Shen and Edwards 2004). Usually, expatriates are a tool to ensure the transfer of practices to subsidiaries (Harzing 2002), but a light approach suggests that such purposeful transfer is not taking place. Instead, the sending of Chinese expats overseas may lead to unintended transfer processes which become evident in several respects (Fornes and Butt-Philip 2011). The infamous example of China Overseas Engineering Group (COVEC) demonstrates how the lack of knowledge of the new host country has led to an unsuccessful business. COVEC successfully bid to build a section of the A2 motorway in Poland in 2009. This bid was less than half the planned budget of the Polish government. Because of their undercutting offer and failure to engage with local partners (Jacoby 2014) COVEC did not manage to build the motorway section in Poland. This example shows that COVEC's management had an incomplete understanding of the Polish environment and its legal, social and cultural practices. Indeed, several studies focusing on the human resource issues of Chinese companies operating internationally – for instance, by Cooke and Lin (2012) as well as Zhu and Wei (2014) – report that some Chinese companies have also underestimated local labour relations in their international investment decisions. Lacking this knowledge leaves Chinese management mostly underprepared to take care of their overseas operations.

Although labour relations tend to be disregarded during investment decision-making by Chinese multinationals, two observations of the employment relations of Chinese investors recur repeatedly. Chinese multinationals tend to conform to local employment relations customs and thus recognise rather than avoid trade unions (Zhu *et al.* 2005; Xing *et al.* 2016). Several studies have pointed out that Chinese companies accept trade unions in the host countries, although Chinese investors are cautious about them. Reasons for accepting foreign trade unions include that Chinese multinational companies take a relatively pragmatic approach in dealing with labour market institutions in the host country (Bian and Emons 2017; Cooke 2012); they also try to maintain harmony and to defuse conflicts (Xing *et al.* 2016). A second observation is that Chinese multinationals tend not to be members of European employers' associations (Zhu and Jack 2016). This observation is in contrast with Western multinational companies, which tend to be members of local employers' associations to obtain local human resource management and industrial relations information from them. Chinese multinationals fail to get actively involved in employers' associations in human resource management and employment relations issues and Zhu and Jack (2016) suggest this is because of a lack of knowledge of employers' associations' functions. Although employers' associations can assist, if needed, with clarification about labour regulations, Chinese companies consult their local subordinates, lawyers, local government departments, Chinese embassies or the Chinese Chamber of Commerce. There is thus potential for employers' associations to raise awareness and promote their activities to Chinese and other foreign multinationals operating in Europe.

An explanation for this disregarding of the employment relations of host countries is the Chinese business context itself. The difference between China's and Europe's institutional environment is that China's employment relations system is heavily state regulated and that a high uncertainty characterises the business context. The Chinese Communist Party (CCP) controls labour relations. Compared with European trade unions, Chinese trade unions have a more collaborative role and do not negotiate with employers or employers' associations. Rather than directly representing the workers' interests, as in Europe, the Chinese trade union remains the voice of the Chinese Communist Party, for example, assisting in the implementation of the economic reform agenda (Zhu *et al.* 2007). The All-China Federation of Trade Unions (ACFTU) is the only union recognised by the government and operates in compliance with the CCP (Taylor and Li 2007). ACFTU focuses on the welfare of employees based on a paternalistic approach (Cooke 2009) and on building harmony at the workplace (Zhu *et al.* 2007).

The counterparts to the ACFTU are the China Enterprise Confederation (CEC), the All China Federation of Industry and Commerce (ACFIC) and local associations, which are all state-controlled (Taylor and Li 2007). For example, the CCP approves new initiatives by ACFTU, and the ACFTU chair is a member of the CCP and can hold a government position. Chinese labour relations do not provide a sphere for good labour negotiations, which calls into question the ability of the ACFTU to protect and promote workers' interests (Taylor and Li 2007).

In contrast to China's ACFTU, there are a range of independent and comparably powerful trade unions in Europe. Depending on the level of international experience, the European employment relations system represents a new challenge for Chinese management and may leave it underprepared to negotiate with their overseas employees' representative organisations.

Chinese managers not only tend to lack knowledge of host countries but also to lack international experience and thus intercultural communication skills. There are substantial cultural differences between China and Europe regarding the relationship between leaders and subordinates and work–life balance, which calls for an appropriate level of cross-cultural skills (Fan *et al.* 2013; Wang *et al.* 2016). In China, there is a very hierarchical understanding of work relations in contrast to Europe, where it is more equal. In Chinese companies, there is a strong hierarchy in which orders are obeyed and the instructions of higher ranked employees are followed. Although Western countries vary in their hierarchical structure, they have a more democratic leadership style compared with China. One study by Wang *et al.* (2016) shows that British employees in a Chinese subsidiary tend to perceive their Chinese managers as less social because they do not interact with them during lunch breaks or after work. The employees reasoned that Chinese expatriates have a more work-centred approach and they perceived a higher power distance between them and the Chinese managers. A questionnaire by Busch and colleagues (2013) shows that the more authoritarian leadership style adopted by Chinese managers is perceived as problematic and dysfunctional in Germany. Another example is the case study by Zhu and Wei (2014) showing how expatriates of a Chinese multinational in Italy expected overtime work from their Italian workers and did not take into account Italian religious holidays. Wang *et al.* (2016) argue that Chinese expatriate managers' home-developed interpersonal and communication skills are therefore not readily transferable to different contexts, and in particular not to Western Europe. Besides, the difference in interpersonal relations and communication style can lead to misunderstandings.

Another typical cross-cultural difference between European countries and China is directness. The Chinese tend to be indirect in criticism, which contrasts with the more direct feedback style of Europeans. Indirect feedback by Chinese expats may not be understood by local European employees. Again, the study by Wang *et al.* (2016) reports a case of a Polish employee working for a Chinese company, who pointed out that the Chinese managers focused on the solution if a mistake was made and did not seek the person who made the mistake. He perceived this as ineffective.

The above-outlined lack of international experience of Chinese expatriates has instead created unintended rather than intentional home-country effects. Due to the more frequent sending of Chinese expats to Europe and their lack of knowledge of host countries and limited international experience, there continues to be a need for legal, social and inter-cultural training. Shen and Darby (2006) found, however, that only limited or ad-hoc training is provided to Chinese expatriates. The provided training tends to focus on cross-cultural issues (Shen 2005), but lacks a long-term management development planning and formal and systematic management processes; in particular, pre-departure and post-departure cross-cultural training programmes are essential for Chinese expatriates in Europe.

At the moment, European subsidiaries seem to function as learning sites for training expatriates (Zhang and Fan 2014), gaining and maintaining competitiveness and as an opportunity to reform their old mechanisms (Zhang *et al.* 2013). Case studies conducted in the United Kingdom by Zhang and Edwards (2007) note that the main priority of Chinese multinationals is to learn. They use localisation and cross-organizational activities for that purpose (Zhang and Edwards 2007). UK practices have been implemented to some extent, gradually replacing the Chinese management system. A Chinese telecommunications company studied by Cooke (2012) outsourced a significant part of human resources to a consultancy to help design the human resource strategy, policies and procedures, cultural values, performance management, employee handbook and human resource infrastructure. Involving external consultants provides a learning and development process for a Chinese company in the United Kingdom and helps to benchmark the human resource strategy, procedures and practices against other competitors. These two case studies demonstrate how overseas subsidiaries can share valuable knowledge and experience with Chinese central management and contribute to management development. However, the uneven development of human resource competencies at the subsidiary level and the lack of capacity to provide support from central management can contribute to human resource problems (Cooke 2012).

The Chinese home-country effects manifest themselves in the implicit form of the transfer of management ethos, such as overlooking the strategic importance of human resource management and the possible potential of employers' association membership, as well as expecting a certain set of values at the workplace, such as managerial unilateralism and hard work (Cooke 2014; Xing *et al.* 2016; Zhu *et al.* 2014: 958). Such values may result in unrealistic expectations with regard to local employees' attitudes (Bunchapattanasakda and Wong 2010; Busch *et al.* 2013). Meanwhile, with the current growing trend of Chinese investment (see for instance Bian and Emons 2017; Hanemann and Huotari 2017), the demand for Chinese expatriates with international management experience and sufficient cross-cultural skills will also continue to grow. As learners without international management skills, Chinese expatriates' business leadership and management are easily challenged by local staff with superior knowledge and expertise (for example, Busch *et al.* 2013; Wang *et al.* 2016). Therefore, there should be a greater awareness among management and workforce of this difference. However, Chinese companies vary in their management practices, depending on sector, size, place of origin and ownership type. The following section highlights the differences between state-owned and private-owned companies with regard to human resource management.

4. Human resource management differences between Chinese state-owned and private-owned companies

A third reoccurring theme in the academic literature about Chinese companies investing in Europe is the difference between state-owned and private-owned enterprises. The advantages of state-owned companies derives from the political and economic developments in the last century. Before the Chinese reforms in the 1970s, there was no diversity of ownership types in China. All companies in all sectors were owned, run and controlled by the government (Wu 1994). State-owned companies traditionally followed the political agenda and the Chinese central government still acts with a 'visible hands' approach, which directly and indirectly influences the legal, regulatory and financial elements of the Chinese business system and the international activities of China companies (Buckley *et al.* 2007; Liang *et al.* 2012b). Central state-owned and provincial state-owned enterprises remain a significant feature of today's Chinese economy (Smith and Zheng 2016).

One reason for the difference between state-owned companies and private companies is that the former still enjoy greater benefits from the state (Tam 2000; Buckley *et al.* 2007; Cui and Jiang 2012). Due to the better governmental relations, a significant share of loans is granted to state-owned companies (Morck *et al.* 2008). One explanation is that they are more likely to be endorsed by the local Chinese governments and banks might be more willing to lend to them (Liang *et al.* 2012a). State-owned companies thus maintain better relations with banks, which simplifies access to capital and other financial resources at below the market rate (Buckley *et al.* 2007).

The differences in terms of human resource management practices between private and state-owned companies tend to be that the latter remain more prone to government intervention, interference, as well as political pressure (Hassard *et al.* 2004). Chinese state-owned companies are characterised by strong connections to the central and provincial government, as well as by a strong hierarchy, complex organisational structures and corporate governance with little transparency. They have inherited the employment and social welfare functions and retained the traditional management characteristics of the Chinese centrally planned economy before 1978 (Bai and Enderwick 2005). The former Chinese workforce management system consisted of the 'three irons': the iron rice-bowl, iron chair and iron wage (Ding and Warner 2001). The enterprise-based *danwei* (or work unit) system provided lifetime employment, health care, corporate accommodation and child care (the iron rice bowl). Employment was centrally planned, and government appointed the management of the state-owned companies (iron chair). Managerial positions were attained by the candidates' technical expertise and political soundness. The pay scheme was egalitarian, based on workers' age, seniority and loyalty (iron wages; Ding and Warner 2001).

Nowadays, the pay and reward system in state-owned companies is determined by responsibility, individual skills, enterprise performance and qualifications, but also by length of service and includes not only financial rewards but also subsidies for housing and health insurance. Moreover, the Chinese government retains a critical role in the recruitment of managers in state-owned companies and their careers. In state-owned companies, the Communist Party is responsible for cadre development and promotion, which are usually measured by the criteria of *de* (political and moral attitudes), *neng* (ability and educational background), *qing* (working attitudes) and *ji* (performance and achievement; Shen and Darby 2006). These criteria are not necessarily in the interest of the company. Political pressure and global competition have led to a hybrid form of management in state-owned companies, in which Western practices have been integrated partially but the tradition of the 'three irons' system remains (for example, Hassard *et al*. 2004).

While the number of state-owned companies had decreased to only 6,770 in 2012, the number of private enterprises increased to about 13 million (the National Bureau of Statistics of China 2013). The majority of Chinese private companies are family businesses, which emerged after the economic reform and thus have fewer features of the traditional system. They are characterised by a high degree of centralised decision-making and power concentration (Child and Pleister 2003). Compared with state-owned companies, private companies are more transparent and have simpler structures and easier communication channels, which leads to fast decision-making. When attempting to understand decision-making within a Chinese business, a family tree may be more informative than an organisational chart (Liu and Woywode 2013).

Private companies are more independent in their management and their political heritage therefore has less influence on their human resource management. Compared with state-owned companies they do not have the burden of over-employment and social obligations (for example, Child and Pleister 2003; Liang *et al*. 2012b). This advantage can lead to greater efficiency, flexibility and cost-effectiveness. Nevertheless, many private companies are characterised by short-term oriented business goals (Cooke 2005). Being especially more pragmatic and flexible regarding human resource management practices, private companies lack long-term human resource planning, a commitment to training and development and employee involvement and participation (Shen 2005). Chinese private companies typically do not implement a systematic training scheme due to financial and time resources (Shen and Darby 2006). Therefore, commonly, training occurs on the job. Usually, the senior management is responsible for management development. Thus, the organisational structures tend to be simpler, which may become unsuitable when the firm internationalises (Bai and Enderwick 2005).

Regulatory and institutional environmental differences have led to an unbalanced distribution of resources between state-owned companies and private companies (Bai and Enderwick 2005; Luo and Tung 2007). For example, China's government initiated the 'Go global' strategy to encourage state-owned companies to internationalise. This policy eases access to commercial loans and funding from Chinese banks and institutionalises centres providing 'International Business' and foreign languages courses, as well as overseas business service centres (Voss 2011). While the 'Go global' strategy has encouraged state-owned companies to invest abroad since 1999, Chinese private companies have been legally permitted to invest abroad only since 2003 (for example, Luo and Tung 2007). Hanemann and Rosen (2012) estimate that 72 per cent of Chinese outward foreign direct investment in Europe was invested by state-owned companies compared with only 28 per cent by private companies[3] in the period 2000–2011. In contrast, 359 of the 573 investment deals – 63 per cent – were conducted by private companies and 37 per cent by state-owned companies. There is thus a clear difference in terms of government support for investing abroad between ownership types in China.

Particular sectors are encouraged as the Chinese government selects eligible industries to advance in the future. Private companies tend to invest greenfield in the service industry, and they expand to Europe through social networks (Wu and Sheehan 2011; Ceccagno 2015). Successful established private-owned firms include Huawei and Geely, which work with host country institutions and strive to advance their employment practices and do not limit themselves to replicating Chinese employment practices (Fetscherin and Beuttenmuller 2011; Cooke 2012). In comparison, the involvement of high levels of government control and the inherited corporate culture, coupled with inflexible management styles have decreased the effectiveness of Chinese state-owned companies in handling the local overseas workforce. In the study on Chinese companies in Germany by Liu and Woywode (2013:478), a German CEO dealing with a Chinese state-owned company notes that 'after almost three years of cooperation, I still don't understand their organisational structure and I don't think I will ever understand'. The complexity of state-owned companies' organisational structure in combination with communication difficulties can create complex problems between Chinese and European partners.

A second reason for the difference between these ownership types is the motivation. Private companies go abroad to invest in countries with large, open economies (Ramasamy *et al.* 2012). For instance, Lenovo's motive to internationalise was to advance their technology, grow their international networks and increase their international recognition. This acquisition sped up Lenovo's internationalisation process, and because IBM agreed to distribute Lenovo's PCs, the company increased its international network and recognition. Privately owned companies investing in European firms aim to adapt to international standards or to overcome disadvantages at home (Child and Rodrigues 2005; Mathews 2006; Rui and Yip 2008), which may strengthen their position in the Chinese market (Shimizu *et al.* 2004). In contrast,

3. Hanemann and Rosen (2012) define POEs as having 80% or greater nongovernment ownership.

state-owned companies tend to target advanced economies mainly for knowledge, technologies and accessing brands (Buckley *et al*. 2007).

Both China's unique institutions and Chinese multinationals' resources and competencies are crucial factors, which should be paid attention to when interacting with Chinese companies or conducting research on Chinese MNCs. The professionality of human resource management practices and internationalisation processes depends, however, not only on the ownership type but in general on the relationship to the central government, the sector, the regions, the type and size of the company. International human resource management practices of private companies are less well explored, and there is a need for more knowledge about the international human resource management of Chinese companies across countries, sectors and ownership, in order to fully understand their similarities and differences.

5. Conclusion

China's participation in the global economy as an outward investor is relatively recent. As the managerial behaviour of Chinese investors in Europe is still little known and the impact of their investment unclear, this chapter has summarised the literature on Chinese human resource management between 2001 and 2015. Three important themes emerge from the reviewed literature. First, in contrast to Western multinationals, Chinese companies have adopted a 'light-touch' or 'hybrid' approach toward managing their European subsidiaries (Cogman and Tan 2013; Liu and Woywode 2013). The human resource management departments of Chinese multinational companies seem rarely to guide the human resource management departments of foreign subsidiaries or to assist in decision-making processes on overseas FDI (for example, Cooke and Lin 2012; Fan *et al*. 2013; Zhu and Jack 2016). Improvement in the responsibilities and global strategy of central management human resource departments would enable Chinese multinationals to gain a competitive advantage in the world market more easily.

Second, Chinese multinational companies tend to send abroad a larger number of Chinese expats compared with Western multinationals. Through this kind of integration approach, unintended home-country effects have started to emerge (Cooke 2012). Examples include the fact that Chinese multinational companies tend to accept trade unions but rarely join local employers' associations. In addition, the international recentness of Chinese multinationals also creates cross-cultural misunderstanding between local employees and Chinese expats, such as expectations of particular work values and different communication styles. With the current growing trend of Chinese investment (see for instance Bian and Emons 2017; Hanemann and Huotari 2017), the demand for Chinese expatriates with international management experience and sufficient cross-cultural skills will also continue to grow. Therefore, training should be employed to sensitise Chinese and local management, as well as the workforce with regard to cultural differences.

Third, the academic literature focuses on the difference between state-owned and private-owned ownership types. State-owned companies and private companies face different regulatory and institutional environments and thus have different advantages and disadvantages. The difference between state-owned companies and private companies tends to be that the former remain more prone to government intervention, which also becomes visible in human resource practices and policies. However, China's home policies are also responsible for differences (Bai and Enderwick 2005; Luo and Tung 2007).

As Chinese multinational companies expand their businesses into the European market (see, for instance, Cozza *et al.* 2015) it becomes increasingly important to understand how Chinese investors manage their workforce in foreign operations. Given the predominance of international human resource management studies focusing on Western European and North American multinationals (Glover and Wilkinson 2007; Wright *et al.* 2005), the new development of upward investment from China to Europe is a relatively new phenomenon. Chinese overseas investment provides a stimulating new research setting to test and expand the theoretical work on multinationals for academics. Moreover, it provides an exciting new business context to gain an understanding of and learn from Chinese businesses operating in the European market. Because of its novelty, the understanding of China's context is essential (for example, Child and Marinova 2014; Harzing and Pudelko 2016). This chapter has argued that the 'hybrid integration approach', unintended home-country effects and distinct Chinese ownership types are features that those interacting with Chinese companies should attend to.

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