

# Characteristics of Deployment of Chinese Expatriates

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**Abstract**—For more than 20 years, Chinese Multinational Corporations (CMNC) have made Foreign Direct Investments (FDI) in foreign countries. However, the factors behind the deployment of CMNCs remain unclear. This study aims to explore the factors that influence the number of Chinese expatriates in overseas subsidiaries of CMNCs. A multi-case analysis of CMNCs indicates that sales, business strategies, industrial characteristics, and institutions of local countries have an impact on the deployment of expatriates of CMNCs. This study contributes to research in this field through both theoretic aspects and practical facets. It also discusses implications and limitations.

**Index Terms**—Expatriate, deployment, multinational corporation, China.

## I. INTRODUCTION

International business has become much more important in a globalized world. More Chinese multinational corporations (MNCs) are now appearing in international business and their human resource strategies attract significant attention from academia, especially their strategy of expatriate assignments.

Much research has examined the facets of expatriate assignments by Chinese MNCs, although its deployment remains unclear. Prior studies have focused on recruiting, selecting, training, career development, cross-culture competence, and other management-related facets of Chinese expatriates.

This study aims to find the characteristics of this deployment strategy of Chinese MNCs using both theoretical analysis of prior literature and a detailed case study. Finally, it develops several theoretical propositions to contribute to existing conclusions. It also discusses several topics to provide new direction for future research.

## II. PROCEDURE FOR PAPER SUBMISSION

### A. Chinese FDI

After the 1990s, China, also called the “world factory,” began actively making FDI in overseas markets. According to [1], until 2007, the total amount of FDI by China was 1179 billion dollars in 173 countries or regions. In 2009, this figure was 2457.5 billion dollars, for which manufacturers accounted for 5.5% (135.5 billion dollars) [2]. There were more than 13000 Chinese overseas companies, in which

manufacturing corporations accounted for 30.2%. In around 2000, Chinese companies began to advance into Southeast Asian markets, with their foreign subsidiaries primarily in Singapore, Indonesia, Vietnam, Malaysia, Thailand, Philippines, Myanmar, Cambodia, and Laos.

However, the turnover rate of expatriates after repatriation remains high, which causes significant losses to Chinese MNCs. This is because the MNCs incur significant costs of training, human resource development, and selection for these expatriates before assigning them to overseas subsidiaries. Moreover, during the expatriation process, expatriate must master new skills and experience, which is not possible to obtain from working domestically. These skills and experience are valuable for MNCs if they can efficiently utilize them after repatriation to headquarters. With high turnover of expatriates, these competencies disappear, which is another source of human resource loss. Additionally, the turnover of expatriates also has negative impact on junior employees and affects expatriation assignment activities [3].

Prior research on Chinese expatriates has focused on recruiting, selecting, training, career development, cross-culture competence, performance, turnover rate, and other management-related facets.

Zhong, Zhu, and Zhang (2015) proposed that Chinese MNCs tend to deploy Chinese expatriates for subsidiary control and management. Furthermore, they adopt a different approach than MNCs in developed countries in the recruitment and selection process [4].

Li, Sharar, and Zhang (2015) studied the mental health of Chinese expatriates in Africa and central Asia. They found that psychological distress is more prominent in women, managers, and more educated Chinese expatriates than men, nonmanagers, and less educated workers [5].

Bunchapattanasakda and Wong (2010) analyzed Chinese managers in Thailand from a cultural perspective and found that local employees were comfortable with Chinese managers, although the latter were not as comfortable with Thai culture [6].

Shen and Jiang (2015) explored expatriate-efficacy and the performance of Chinese female expatriates. They found that prejudice and expatriate-efficacy had negative and significantly positive effects, respectively, on the performance of Chinese female expatriates [7].

Zhang and Fan (2014) focused on expatriate skill training of Chinese MNCs. Using a theoretic analysis of social learning theory and interviews with seven Chinese MNCs, they discovered some characteristics of Chinese MNCs, such as internationalization as learning, subsidiary training tool, and learning as belonging [8].

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Rui, Zhang, and Shipman (2017) examined 27 Chinese MNCs based on a case study from the perspective of competitive advantage. They concluded that assigning expatriates of both managerial and operational level leads to competitive advantage, as it reduces cost, increases productivity, and tolerance of hardship, and capabilities of resource reconfiguration [9].

Yao, Arrowsmith, and Thorn (2016) explored the motivation of Chinese corporate expatriation from the perspective of Confucianism [10]. Based on 31 interviews, they found that the motivation of Chinese corporate expatriation included both intrinsic aspects (obligation to the company, manager, and family) and extrinsic facets (skill development and financial benefits). With Confucianism, which is presents a wider social context in perspective; order and *guanxi* significantly influence the expatriate management of Chinese MNCs.

Shen and Xie (2018) examined factors that determine perceived distributive justice among Chinese expatriates. The results indicate that equity, nonmonetary rewards, and compensation disparity are important determinants [11].

Wang, Fan, Freeman, and Zhu (2017) explored important cross-cultural skills of Chinese expatriate managers in foreign countries. Based on interviews with Chinese expatriate managers, they found that in Middle East or Africa, self-maintenance skills are essential in tough local work conditions, whereas in Europe or Australia, interpersonal and communication skills play a more critical role [12].

Yao (2014) studies the career capital of Chinese expatriates from the cultural perspective through interviews with Chinese expatriates. The results indicated that international assignments had limited influence on career capital. However, Chinese culture had a significant impact on it [13].

Wang, Freeman, and Zhu (2013) interviewed Chinese expatriate managers and related experts to analyze the effect of personality traits on cross-culture competence. The results indicate that the influence of conscientiousness and openness was constrained because of different environments where the institute is various with their home country [14].

Wang, Feng, Freeman, Fan, and Zhu (2014) studied cross-culture competence through surveys and interviews with more than 500 Chinese expatriates and found that communication skills contribute to cross-culture competence instead of self-maintenance skills, interpersonal skills, and language skills [15].

Yao, Thorn, and Doherty (2014) undertook qualitative analysis on the career of 31 Chinese expatriates through interviews. They found their perceptions of boundaries kept changing and a significant influence of Chinese cultural values, demographics, and career stages on expatriates [16].

Using a 200-questionnaire survey for Chinese expatriates, Jiang, Jin, Bao, and Wan (2011) performed hierarchy regression analysis and concluded that career design and organizational subsidiary support have no significant influence on willingness to repatriate, whereas categories of assignment task, size, and organizational culture have a

positive significant impact [1].

Based on the grey system theory, Zhu (2011) developed the Grey relativity analysis model of expatriate selection in Chinese MNCs. Using samples from a famous Chinese MNC, he built this evaluation system model and related indexes [17].

Using a questionnaire survey of 50 Taiwanese expatriates, Li and Wan (2005) conducted analysis on boundary-less career value [18]. The results show that Taiwanese expatriates also possess boundary-less career value because most prefer to leave the company after repatriation, despite higher degrees of satisfaction with their organizations than workers in European or American MNCs do. This proves that a boundary-less career has become the new career value for Taiwanese expatriates.

Previous literature has focused on cost, training and development, recruitment, compensation, career design, competitive advantage, turnover rate and its influence, and performance of Chinese MNCs. However, few studies focused on the deployment of Chinese expatriates. Hence, this study performs qualitative analysis on the deployment of Chinese expatriates using multi-case from Chinese MNCs.

According to [2] Kawai (2013), the deployment of Chinese expatriates in the past is shown in Table I.

TABLE I: DEPLOYMENT OF CHINESE EXPATRIATES IN OVERSEAS SUBSIDIARIES (2012)

Company names	Employee	Chinese Expatriates	Rate (%)
TCL Thai	200	2	1
TCL Vietnam	370	12	3.2
TCL Pilipinas	160	5	3.1
Haier Thai	2080	7	0.3
Haier India	1400	0	0
Changhong Indonesia	100	8	8
Meidi Vietnam	200	10	5
Lifan Vietnam	500	30	6
Jialing Indonesia	120	5	4.2
Huawei Tech. Vietnam	500	Several	-
Huawei Tech. India	6000	600	10
Holley Thai	60	4--12	6.7
Huayuan Thai	1500	14	0.9
Newhope Vietnam	170	8	4.7
Tongrentang Thai	30	4	13.2
SINOSTEEL India	42	12	28.6
Ansteel India	1	1	100

Source: [2]

TCL Corporation was founded in 1981 in Huizhou. It produces and sells electronic commodities and internet and finance-related services. It ranks 64<sup>th</sup> amongst the top 500 Chinese companies. It began its international business in 1999 and the performance of its mobile phone business has increased significantly in overseas marketing.

Haier was founded before 1991 in Qingdao. Initially, it produced white goods such as refrigerators and washing machines. Today its business includes electronic products and overseas M&A. Its commodities include traditional refrigerators, washing machines, and computers. It is also

among the top 500 companies in the world. Haier's globalization has four stages: brand strategy period (1984-1991), strategy period (1992-1998), international strategy period (1999-2005), and international brand strategy period (2006-now) [19].

Changhong is located in Mianyang of Sichuan province and has more than 60 years of history. It manufactures and sells televisions and digital housing electronic products. It has four listed companies and ranks 146 amongst the top 500 Chinese corporations.

Meidi was founded in 1968 in Foshan. It ranked 323 in the world's top 500 corporations in 2018. Its commodities include refrigerators, washing machines, air conditioners, automatic systems, and intellect supply chain. It has 16 domestic subsidiaries and 6 foreign subsidiaries from 2007. It listed in 2013.

Lifan Industry Group was founded in 1992 in Chongqing. It primary engages in R&D, production, and sale of automobiles, motorcycles and engines, integrating investment and financial services. It is one of China's top 500 enterprises [20].

Jialing Group was founded in 1987 in Chongqing. Its products include automobiles, motorcycles, engines, and their parts. Its total assets are around 40 billion yuan. In March 1998, it established a foreign subsidiary in Indonesia.

Huawei was founded in 1987 in Shenzhen. Its products include mobile phones, digital commodities, software, information technology, and internet services. In 2013, it ranked 315<sup>th</sup> in the world's top 500 enterprises. In 2016, it had more than 170000 employees, of which 30000 are foreign staff. Every year, it uses 10% of its sales for R&D and 46% of its employees work in 20 R&D centers in the world. In 2008, it had the most technology patents in the world [19]. According to [21], Huawei's globalization has five facets: special advantage of Huawei technologies, saturation of Chinese domestic market, Chinese government policy, competition in the international information market, and entrepreneurship.

Holley Group was founded in 1970 in Hangzhou. It produces and sells medicines, new materials, and instruments. The Holley Group has more than 10,000 employees and international manufacturing subsidiaries and representative offices all over the world including the USA, France, Russia, and other countries in Asia and Africa [22].

Huayuan Group (CWGC) was founded in 1992 in Shanghai. It is a state-owned enterprise with 11 subsidiaries and is the biggest medicine and textile group in China.

New Hope Group was established in 1982 in Chengdu. It is not a state-owned but a private company with around 70000 employees. New Hope Group has been in the Top 500 Chinese enterprises for a long time. The New Hope Group has 600 overseas operations in 30 countries primarily engaged in agriculture and biology; however, they also have innovation business in new industries [23].

Tongrentang Group was founded in 1669 in Beijing. It is over 450 years old. It is a state-owned enterprise with 14 domestic group enterprises and holding companies. It is engaged in Chinese medicine and related services. It also has

488 medical service terminals, 80 of which are in foreign countries.

Sinosteel is a state-owned enterprise engaged in exploring and producing of mineral resources, manufacturing other steel related materials. It's a large multinational corporation with both domestic and overseas businesses and service in steel industry. Sinosteel was established in 1993 in Beijing. It has 65 subunits, with 16 foreign subsidiaries [24].

Ansteel Group was founded in 2010 in Anshan (Liaoning) by the combination of two big steel groups (Anshan Iron and Steel Group Corporation, Pangang Group Corporation Ltd.). In 2018, it entered the list of the top 500 global enterprises for the fifth time. Anshan Iron and Steel Group Corporation was established in 1948 in Anshan. The Ansteel Group has several production bases with special characteristics in various places of China. It is mainly engaged in processing and sales business in steel industry [25].

### III. PROPOSITIONS

Analyzing previous literature, we developed several propositions to explore the characteristics of expatriate assignment of Chinese MNCs.

Proposition 1: The sale amount has an impact on the deployment of expatriates of Chinese MNCs.

The Vietnamese subsidiary of Huawei had few Chinese expatriates, although there were 500 employees in 2012, whereas its Indian subsidiary had 600 expatriates. The sales of the Vietnamese subsidiary were 5.9 billion dollars in 2012, while its Indian subsidiary clocked a figure of 15 billion dollars [2].

Proposition 2: There is significant variation in the proportions of Chinese expatriates in overseas subsidiaries of different CMNCs, according to their management strategies.

Some CMNCs, such as Haier, are implementing localization. The number of expatriates in the subsidiaries in Thailand and India was 7 and 0, respectively, in 2012, as shown in Table I. These two subsidiaries were established in 2007 and 2004, with 2080 and 1400 employees, respectively [19]. Haier Thai was a merged company with Sanyo Electric Co., Ltd. Haier India was fully owned by the headquarters. Managers of both subsidiaries are local individuals. Haier Thai produced washing machines and refrigerators, whereas its Indian subsidiary produced CRT televisions and refrigerators. On the contrary, Huawei India had 600 Chinese expatriates, i.e., 10%, which was a very high proportion.

Furthermore, the proportions of Chinese expatriates in the subsidiaries of Huawei vary significantly due to business strategies. Huawei's Vietnamese subsidiary had a significantly fewer number of expatriates than its India subsidiary because the company recognized the huge potential market of India and assigned substantial human resources to that subsidiary.

Proposition 3: The proportion of Chinese expatriates in the subsidiaries of CMNCs in the medicine industry is higher

than in other industries.

The average proportion is 6.3% after excluding Ansteel India from Table I. The proportion of Chinese expatriates in Holley Thai and Tongrentang Thai was 6.7% and 13.2%, respectively, both higher than the average level. A possible reason for this is technology transfer. Product patents of various companies and institutes protect the high technology in the medicine industry. It is difficult for engineers to obtain similar technologies from other companies, especially in overseas markets. On the other hand, Chinese medicine technology is relatively unique in the world. Few countries have the capability and willingness to develop Chinese medical technology. Therefore, for overseas subsidiaries in this industry, it is necessary for the headquarters to assign Chinese expatriates to provide technology-related support and cooperation in management and other aspects of overseas subsidiaries.

Proposition 4: The institutions of a local country have an impact on expatriate deployment strategies of Chinese MNCs.

Both Huawei and Haier have subsidiaries in India. However, Huawei India had 600 Chinese expatriates, whereas Haier India had none. Besides the difference in business strategies between these CMNCs, the local institution for Chinese expatriates was also a determinant impact factor. According to Indian government regulations, expatriates from headquarters cannot obtain long-term residence in India. Nevertheless, in the case of Huawei India, there was no such regulation for expatriates. Further research on the differences in institutions in countries is necessary.

#### IV. CONCLUSIONS

This study explores the characteristics and impact factors that influence the number of Chinese expatriates in overseas subsidiaries of CMNCs. The multi-case analysis of CMNCs indicates that sales, business strategies, industrial characteristics, and institutions in local countries, have an impact on the deployment of expatriates of CMNCs. First, the results show that higher the sales, higher the proportion of expatriates. Second, in the case of localization strategy, the number of expatriates is lower than those CMNCs who do not implement this strategy. Third, industrial characteristics have an impact on the deployment of expatriates. Technology transfer differs in various CMNCs. In the Chinese medicine industry, technology transfer is highly difficulty. Hence, it is necessary for CMNCs in this industry to assign more expatriates to overseas subsidiaries. Finally, the institutions of local country for foreign employees in MNCs also influence the deployment of expatriates of CMNCs. Some governments regulate visas of foreign employees. This limits the expatriate assignment of CMNCs.

This study contributes to research in this field in both theory and practice. It provides reference for future research on the balance of localization and headquarters control, as well as deployment of expatriates for MNCs. Many MNCs are now implementing localization. However, such localization cannot completely replace the control from

headquarters. For CMNCs that are planning to advance into overseas markets, the results of this paper are worth considering when making decisions on the number of expatriates to assign to overseas subsidiaries.

Additionally, this study also has some. Future research could be more persuasive if it could obtain more data and perform quantitative analysis. The data in this study are from Asian countries, whereas CMNCs have many overseas subsidiaries across the globe. Therefore, it might be helpful to collect data from other countries and regions.

#### CONFLICT OF INTEREST

The author declares no conflict of interest.

#### AUTHOR CONTRIBUTIONS

There is only one author for this work.

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