

# **The Transnational Transfer of HRM Practices in MNCs: A Sociomaterial Framework based on the Investigation of Performance Management in China**

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## **Résumé :**

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La littérature académique sur le transfert des pratiques organisationnelles dans les entreprises multinationales a récemment opéré un déplacement des approches culturalistes vers les approches institutionnalistes et intra-organisationnelles, ainsi qu'un recentrage sur les processus d'internalisation des pratiques organisationnelles. L'internalisation, notamment par les employés locaux, des pratiques globales de gestion des ressources humaines reste cependant encore largement inexplorée. A partir d'une étude longitudinale s'étendant sur dix années, nous proposons quatre archétypes d'appropriation des pratiques de GRH et une nouvelle définition du processus d'internalisation. L'approche sociomatérialiste a graduellement émergé au cours de notre étude comme étant la meilleure façon de conceptualiser nos observations et la principale contribution de notre étude est d'introduire ce cadre théorique dans le champ de la littérature en management international pour enrichir notre compréhension des phénomènes d'internalisation et dépasser les approches purement sociales. En conceptualisant à partir du point de vue des acteurs, cette étude a aussi pour objectif de donner la parole aux responsables des unités locales et d'étendre notre compréhension des pratiques innovantes qui émergent en Chine et en particulier les pratiques de gestion de la performance.

**Mots-clés :** Pratiques organisationnelles innovantes, gestion de la performance, gestion internationale des ressources humaines, Chine, adoption.

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# **The Transnational Transfer of HRM Practices in MNC: A Sociomaterial Framework based on the Investigation of Performance Management in China**

## **INTRODUCTION**

The transfer of organizational practices, and in particular Human Resources Management (HRM) practices, is essential to Multinational Corporations (MNC) (Kostova, 1999; Björkman, Ehrnrooth, Smale & John, 2011; Ahlvik & Björkman, 2015). Firstly, HRM Practices enable MNC, as with any large organization, to reduce employee turnover, to increase productivity and ultimately to foster financial performance (Huselid, 1995). Furthermore, one of the key competitive advantages of MNC is their ability to transfer their most successful home-country organizational practices to their local subsidiaries (Jensen & Szulanski, 2004). As they advance in their internationalization process, large MNC need therefore to go further in the transfer of their HRM practices. However, this transfer is also a challenge. Since MNC operate in multiple environments, it is uncertain whether home-country HRM practices fit with local economic, cultural and institutional needs (Dowling, Festing & Engle, 2008; Tarique, Briscoe & Schuler, 2015). Moreover, at the first stage of their internationalization MNC may content themselves with making a choice or a trade-off between local and global HR practices, but as they become real transnational organizations they have to carefully and subtly integrate both sets of practices.

As highlighted by Kostova (1999), the central question regarding the transnational transfer of organizational practices in MNC does not concern the implementation, but rather the internalization of organizational practices. MNC face strong intra-organizational pressure to transfer their home-country organizational practices, however, they also encounter strong external pressure to adapt to local environments. Individuals are therefore likely to implement organizational practices without internalizing them to engage in ceremonial practices, meaning they formally comply with the requirements coming from the parent company but do not see them as valuable (Kostova & Roth, 2002). Although International Business (IB) and International Human Resources Management (IHRM) theorists have extensively research the overall transfer of HRM practices in the global context, the internalization of organizational practices

worldwide remains largely unknown and needs to be better understood (Björkman & Lervik, 2007; Ahlvik & Björkman, 2015), particularly the internalization of HRM practices. The main objective of this research is therefore to contribute to IB and IHRM fields by investigating how individuals make HRM practices their own in the local subsidiaries of MNC.

Until recently, the debate between convergent and divergent theorists structured the research on the transnational transfer of HRM practices (Dowling et al., 2008; Tarique et al., 2015). To go beyond this opposition, IB theorists suggest that macro- and micro-levels are decoupling (Adler, Doktor & Redding, 1986: 489). It is indeed appealing to say that organizations tend to adopt the same organizational practices worldwide, whereas individuals have difficulty making them their own because their behavior remains fundamentally embedded in local specificities (Mcgaughey & Cieri, 1999). However, it is a relatively static approach to culture. For instance, individualism is increasing among the new generation of Chinese managers (Oyserman, Coon & Kemmelmeier, 2002; Cooke, 2013, Nankervis, 2013) and Chinese values are not necessarily in contradiction with Western organizational practices. Moreover, decoupling between macro- and micro-levels fails to explain the internalization process and why at the micro-level, some individuals make organizational practices their own while others do not. Lastly, decoupling tends to undermine the fundamental tension between structure and culture that operates at all levels (Mcgaughey & Cieri, 1999).

We therefore suggest an alternative theoretical framework based on both IB and sociomateriality literature (Orlikowski, 2007, Orlikowski & Scott 2008). We suggest the internalization of organizational practices, in particular those that concern HRM, is the process by which individuals develop new and unique practices resulting from the dynamic interaction of the sociocultural and institutional environment with intra-organizational relationships and with the individual conception of management tools (constructivist vs. realist). The challenge is not only to build on sociomateriality theory to enrich IB literature but also to challenge these two streams of literature to move from a multidisciplinary to a truly interdisciplinary perspective (Doz, 2011). Since we build our theoretical framework from the longitudinal case study investigation of Performance Management (PM) practices in the Chinese branch of a large chemical MNC (Eisenhardt, 1989), another contribution of this research is to give voice to managers and to conceptualize from the standpoint of the actors at work (Doz, 2011)

## THEORETICAL FRAMING

### 1.1. Organizational Practices

From a theoretical perspective, HRM practices are only a specific type of organizational practices. It is therefore impossible to conceptualize the transnational transfer of HRM practices without being first clear about the concept of organizational practice (Kostova, 1999). Drawing from institutional theory, Kostova defines organizational practice as: “particular ways of conducting organizational functions that have evolved over time under the influence of an organization's history, people, interests, and actions and that have become institutionalized in the organization” (Kostova, 1999: 309). This definition has played a major role in IB literature and has been widely followed by Institutional scholar (Jensen & Szulanski, 2004; Björkman & Lervik, 2007), but also by IHRM scholars. By highlighting the role of an organization's history, people and interests, this definition advocates a “value-based” and “knowledge-based” approach, or more generally speaking a social approach to organizational practices. It also underlines the necessity of institutionalizing organizational practices to ensure they become stable and reliable routines. However, by highlighting the social dimension of organizational practices this definition also purposefully weakens their technological dimension, arguing that strategic organizational practices are “value impregnated” rather than technology focused (Kostova, 1999).

Drawing on Orlikowski (2007), we suggest that a sociomaterial approach is more appropriate to describe the transnational transfer of HRM Practices and even strategic HRM such as PM. Firstly, technology is everywhere in the organization (Orlikowski & Scott, 2008), not only as a concrete asset to gain competitive advantage, but also within organizational practices, processes and strategies. For instance PM is widely defined as the process by which an organization identifies, measures, develops and aligns individual performance with its strategic objectives (Aguinis, 2009; Biron, Farndale & Paauwe, 2011). As with all HRM practices, PM is by definition a social process. However, PM also includes a wide range of tools such as performance appraisal interviews, individual objective setting techniques, Behaviourally Anchored Ratings Scales, Forced Distribution Rating Systems (F.D.R.S.), 360 degree evaluations, and mentoring programs (Cardy & Dobbins, 1994 and Murphy & Cleveland, 1995). Secondly, although organizational routines are essential in institutionalizing organizational practices, they are never carried out only by actors but ensembles or networks of “actants” including both humans and non-humans (Latour, 2005, 2012). Typical organizational routines include

various management tools, procedures and advanced information systems. Without concrete and stable artefacts organizational routines are unlikely to last. Lastly, a sociomaterial approach does not only highlight the necessity of taking into account technological and social aspects of organizational practices, it also enhances the ontological entanglement of the social and the material within organizations (Orlikowski, 2007).

## **1.2. The transnational Transfer of HRM Practices Within MNC in IB Literature**

Research on HRM practices in the global context and research on the transfer of organizational practices within MNC highlight several central ideas: (a) the hybridization of HRM practices worldwide, and in particular PM practices in China (b) the importance of cross-cultural and institutional contexts in the transfer of HRM practices, (c) the realist conception of technology in IB literature, (d) the multilevel nature of the overall process, and finally (e) the dialectical tension between the dual needs for global integration and local responsiveness within MNC.

### **1.2.1. HRM and PM practices in the global context.**

On the one hand convergent theorists advocate that organizational practices tend to become alike over time in response to similar pressures (Dowling et al., 2008; Tarique et al., 2015). On the other hand, divergent theorists argue that organizational practices resist external influences since they are fundamentally embedded in local and institutional specificities (Ralston, 2008; Dowling et al., 2008). Although based on opposite assumptions, these two research streams seem to have reached a consensus on a global convergence trend in HRM practices without observing though a full convergence (Mayrhofer et al., 2011).

For instance, it is generally agreed that HRM practices in China, and in particular PM practices, are using or are moving towards a hybrid model (Huo, Huang & Napier, 2002; Warner, 2008; Poon & Rowley, 2010). Many Chinese organizations, both local branches of Western MNC and Chinese MNC, have now implemented PM systems based on financial and extrinsic rewards (Zhou & Martocchio, 2001; Cooke, 2013). Performance appraisal carried out by a supervisor using individual objectives and clear feedback procedures seems to be widely seen as a universal model. However, the importance of network oriented criteria, as well as the reluctance to be assessed by actors other than the supervisor is more typically Chinese (Festing

& Knappert, 2014). The PM tools are the same in China and in Western countries, but the criteria used to assess performance are different. For instance, Chinese managers focus less on the importance of counterproductive behaviours than American managers (Rotundo & Xie, 2008). Contrary to U.S. Managers, Chinese managers are economically oriented and prefer to invoke differential rules for the allocation of both material and socioemotional rewards (Chen, 1995). They also give a highest priority to results regarding monetary rewards, but give higher priority to relationships with colleagues regarding non-monetary rewards (Zhou & Martocchio, 2001). When they use management tools, they pay more attention to indirect communication (Tsai et al, 2013), Guanxi and Mianzi (Bozionelos & Wang, 2007).

It is not surprising that divergent theorists have mainly used institutional and cross-cultural theories to explain the transfer of PM practices in China. The central idea behind these two theories is that work and personal values are driven by a country's social or economic institutions (Whitley, 1992; Kostova & Roth, 2002), and specific dimensions of national cultures respectively (Zhou & Martocchio, 2001; Hofstede, Hofstede & Minkov, 2010). More surprisingly, convergent theorists also increasingly draw on institutional and cross-cultural rationales to explain the transfer of PM practices in China. As individualism rises among the new generation of Chinese managers (Oyserman et al., 2002; Cooke, 2013, Nankervis, 2013), they are more likely to act independently and to be risk seeker, and as a consequence to adopt western management practices, such as individually based performance rated reward systems (Froese & Xiao, 2012). Drawing on an institutional framework, Björkman and colleagues (2008) argue that coercive pressure from the Chinese government has been rather weak toward MNC and has granted them a great amount of flexibility in managing their workforce. Furthermore, legislation, especially the three personal reforms of 1992 and the Labour Law of 1994 have encouraged organizations to implement labour contracts, performance-linked rewards systems and contributory social insurance (Warner 2008; Cooke, 2013), thus reinforcing the convergence trend. Chinese subsidiaries or domestic firms are also likely to follow the model of foreign MNC (Warner, 2008) because of normative pressure and mimetic isomorphism (Björkman, Smale, Sumelius, Suutari & Lu, 2008).

Both convergent and divergent theorists have therefore used cultural and institutional theories to explain the transfer of HRM practices in the global context. Some scholars, however, have delved more deeply into the details of the technological and structural dimensions of the transfer of HRM practices, convergent theorists in particular. For instance, the earliest con-

vergent theorists suggest that the logic of industrialism urges organizations to use common management practices (Mcgaughey & Cieri, 1999). As firms grow and increase in complexity, the centralization of decision-making becomes impossible and there is a greater need for coordination, both foster the use of common management practices. These theorists also advance that the spread of new information and communication technologies, as well as greater interdependence and collaboration between organizations reduce the difference between organizational and management practices worldwide (Rotundo & Xie, 2008). Although these approaches highlight the role of technology in the process of transferring organizational practices, they focus specifically on how technology influences HRM practices. They investigate neither on the black box of technology within HRM practices nor the entanglement of the material and the social in HRM organizational practices. Moreover, they are fundamentally realist approaches to technology. They assume that individuals adopt technology in the same way regardless of specific situations and culture.

#### 1.2.2. The transfer of organizational practices within MNC.

MNC are specific organizations (Gligor et al., 2015). Contrary to local organizations, they face a dialectical tension between the need for global integration and the need for local responsiveness. As suggested by Bartlett and Ghoshal's typology (1989), MNC can therefore be divided into four types of firms: International, Multidomestic, Global and Transnational (Dowling et al., 2008; Tarique et al., 2015). The idea of the Transnational firm has been extremely influential in IB literature (Harzing, 2000), since it probably best describes and helps to understand the most advanced and complex form of MNC. This structure responds to strong pressure for local responsiveness with strong pressure for worldwide integration. The central idea is to operate without reference to national origins, sharing organizational resources, knowledge and technology with all units on a global scale, while preserving and enhancing local strengths. Regarding HRM practices, at the first stage of their internationalization MNC may content themselves with relying only on limited practices (Tarique et al., 2015). However, as they internationalize and specify their global strategy, they trade off between the need for local responses and the need for global integration and must decide between standardizing or localizing HRM practices. Once they have reached a significant size abroad with enough local HRM support they may attempt to carefully integrate both local and global practices and become Transnational firms.



Transferring organizational practices within MNC is also fundamentally a multilevel process (Kostova 1999, Mcgaughey & Cieri, 1999). As was highlighted in the previous section, the transfer of organizational practices is a macro process, largely impacted by the external environment at the country level. However it is also by nature a meso-process. Contrary to local companies, MNC face strong intra-organizational pressure to transfer home-country organizational practices even if they do not fit with local needs (Kostova 1999, Kostova & Roth, 2002). The more successful organizational practices have been in the home-country, the more the organizations are likely to replicate them in their local subsidiaries. Furthermore, organizational practices need to be formally or informally validated at the organizational level to become routines and to be considered successful (Kostova, 1999, Jensen & Szulanski, 2004; Björkman & Lervik, 2007).

Transferring organizational practices within MNC does not only imply implementing them but also internalizing them (Kostova, 1999). Since MNC face strong intra-organizational pressure to transfer home-country organizational practices, people in the host country are less likely to perceive these practices as added value to their daily work and to become committed to the practice (Kostova & Roth, 2002). Drawing on a social approach to organizational practices, Kostova defines internalization as the “state in which the employee at the recipient unit attach symbolic meaning to the practice – they “infuse it with value” (Kostova, 1999: 311). Her definition, widely accepted in the IB Literature, therefore strongly highlights the sense-making (Weick, 1993) and cognitive dimension of internalization. However, building on sociomateriality could extend our understanding of the internalization process. Focusing solely on the symbolic dimension of internalization causes us to lose sight of the ontological material dimension of the process, and ultimately the visibility and identity of the organizational practice (Quattrone & Hopper, 2006).

### **1.3. The Sociomaterial Approach to Organizational Practices**

Sociomateriality assumes that “the social and the material are considered to be inextricably related — there is no social that is not also material, and no material that is not also social.” (Orlikowski, 2007: 1437). The key epistemological assumption is that social practices and materiality are deeply entangled (Latour, 2005, 2012; Leonardi, Nardi & Kallinikos, 2012; Leonardi, 2013). Social scientists traditionally assume that technology is based on universal or scientific rules independent from human beings whereas the social results from group and



individuals interactions. However, this is precisely what sociomateriality challenges. Although based on universal principles, scientific principles always result from a collective agreement of researchers, whereas the social is always constrained by technology in our modern societies (Latour, 2012). As stated above, this is what is at stake in the definition of organizational practices. Furthermore, if we return to the epistemological assumptions of IHRM, the deep entanglement between social practices and the materiality is also a major tension between the convergent theorists, who assume that the adoption of organizational practices is based on universal principles, and the divergent theorists, who assume that organizational practices are fundamentally embedded in local cultural and institutional specificities.

To better understand the entanglement of the social with materiality, it is helpful to go back to the original debate about technology and management tools in organization studies, and the opposition between realist and constructivist approaches (Quattrone & Hopper, 2006; Orlikowski & Scott, 2008). On the one hand realist theories assume that management tools are stable and independent objects. They are designed by practioners, consultants or scholars to deal with a specific problem, and are fundamentally a means to an end (Rousseau, 1979). Constructivist theories, on the other hand, consider management tools as defined by complex interactions between objects and users. Management tools are never stabilized or complete (Orlikowski, 1992), and may deviate from designer purposes, as users interpret and enact them differently. Organizational identities are never totally stabilized, and management tools consistently evolve over time in open systems and fragmented organizations.

According to Quattrone and Hopper (2006) realist and constructivist approaches both lead to dead-ends. Realist theories strongly emphasize the role of the designer and enable users to have a clear understanding of management tools, but limit our conception and use of technology. They make sense in closed systems, a laboratory for instance, where any variable is fixed and clearly identified, but are less able to explain reality in social systems, where objects and behavior are in in constant evolution. They do not apply to the MNC, which face perpetual organizational, political, cultural and technological mutations. However, the constructivist assumption that there are as many technologies-in-practices as enactment, raises other difficulties. Firstly, it makes the concept of structure questionable (Quattrone & Hopper, 2006). Secondly, it ultimately leads to denying the reality of management tools. Sociomaterial theory (Orlikowski & Scott 2008) attempts therefore to go beyond this tension by highlighting how

organizational practices emerge as a co-construction of the social (meaning individual and group interpretations) and the material, which constrains human interpretations.

## **1. METHODOLOGY**

### **1.1. Research Design**

For the sake of clarity, we introduced the theoretical framing in this paper first, but the overall epistemological framework is abductive, meaning that the theoretical ideas were developed throughout the unfolding investigation and mapping of the case (Shepherd & Sutcliffe, 2011). Chronologically speaking, the field work began in 2012, with the objective of observing how employees were assessed at work in two Chinese entities of the MNC under investigation. Subsequently, the importance of PM practices and the concept of technology gradually emerged as the best way to conceptualize what we observed, and the field work resumed in 2015 in order to consolidate and further develop our findings. Always keeping in mind the need for disciplined imagination (Weick, 1989), we thus suggested the theoretical model outlined in the current research (Paavola, 2004).

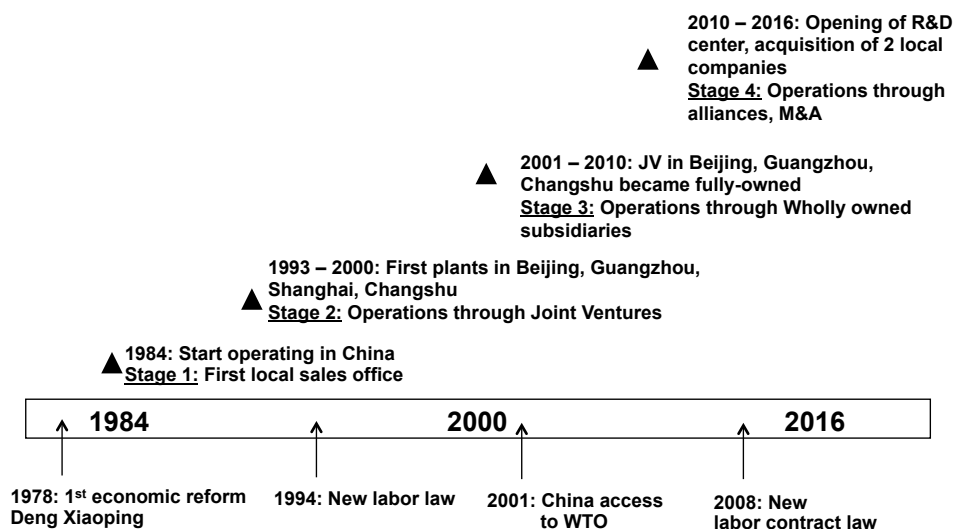
The methodological framework used echoes the strategy as practice approach (Kaplan, 2011) and the practice lens advocated by Orlikowski and Scott (2008). Contrary to a solely inductive approach, the idea is not to look simply at daily practices to better understand a global process. The practice turn is a different approach to the boundaries between people, activities and tools in organizations. For instance, the practices constantly redefine the way strategies and technologies are enacted and evolving. The boundaries and the objectives of strategies or technologies are constantly redesigned at all levels of the organization.

More specifically, this research is built on an in-depth longitudinal case study design and focuses on the daily PM practices of managers and their subordinates. The observation period stretches over 10 years, from 2005 to 2015. This period has not been chosen to observe the launch of a specific PM program, but rather to observe on-going changes in the PM practices. One of the key methodological challenges has hence been to afford thick and rich descriptions of PM practices to help readers build on them (Yin, 2009).

## 1.2. Data Collection

The data have been collected within a specific MNC, which is referred to as “Kemike” to protect anonymity. Its historical headquarters are located in France but it can now be more properly described as a transnational company as it is widely conceptualized in IB literature (Harzing, 2000; Dowling et al., 2008). The company’s sales come equally from Europe, USA and Asia. Its scope is global but the products, marketing strategies, and operations are decentralized. The company, which is among the ICIS Top 100 Chemical Companies listing, employs more than 10 000 employees in 40 countries and generated a revenue of approximately €7 billion in 2014. The history of Kemike is also especially representative of MNC growth in China. As detailed in figure 1, the company went through the 4 typical stages of an MNC development abroad (Tarique et al., 2015). The company currently has more than 2300 employees in China, with its main worldwide industrial platform located near Shanghai.

**Figure 1: Kemike’s expansion in China**



Data was collected from 2005 to 2015, and is comprised of two different periods. The first period occurred between 2005 and 2008. It starts with the spin-off of the organization from its parent company, a top-15 Oil and Gas company (Helman, 2015). During that time, the main author of the current research worked for the company as a full time employee in the HR department. However, it cannot be considered as a formal participant observation or an organizational ethnography (Van Maanen, 1988), since the main author was not involved in a research process. Nevertheless, it allowed the three authors of this research to gain wider access

to the field and to better understand the internal organizational context. The second period of data collection spans from 2012 to 2015. During that time, the main author spent two three-week periods in the organization to collect information and conduct interviews. In the meantime, regular contact was kept with the organization and several interviews were conducted, as described in figure two.

**Figure 2: Overview of the data collection process**

	Observations 2005 - 2008	Interviews 2012	Interviews 2014	Interviews 2015
Regional HQ	Yes	14	2	11
Industrial platform 1	Yes	9		9
Industrial platform 2	Yes			6
Industrial platform 3	No			8
Total		23	2	34

The data include both archival data and interviews, and have been collected in four different entities of Kemike located in Shanghai, as well as in Jiangsu and Guangdong provinces. Archival data comprises both local and global internal documents, including local annual performance reviews from 2005 to 2015, several PMS action plan and analysis, a sampling of internal HRM procedures, and the global annual performance review guide. The data for this research comes also from 59 semi-structure interviews conducted between 2012 and 2015 respectively: 23 in 2012, 2 in 2014, and 34 in 2015.

The interviews were conducted in English or in French, depending on the interviewee, and lasted on average one hour. The interviewees were purposefully selected to ensure gender, national, professional and hierarchical diversity. The 49 participants included 15 women and 34 men. They were 38 Chinese citizens, 9 French citizens, one American citizen, and one Chinese citizen holding an American Green Card. Nine informants were interviewed twice in order to gain a better understanding of the major changes that occurred between 2012 and 2015.

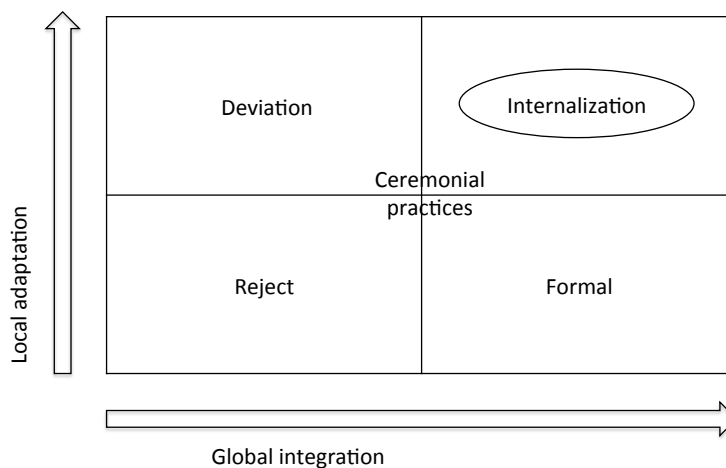
### 1.3. Data Analysis

Fifty-two out of the fifty-nine interviews were recorded. All the interviews conducted in 2012 have been fully transcribed and those conducted in late 2015 have been partially transcribed

so far (3123 minutes). The data have been analysed by two researchers via NVivo software in order to construct a taxonomy of categories emanating from both the field and the literature review. The data have been analysed by processing (1) template coding (King, 1998), meaning coding according to the research templates, then (2) axial coding, (Strauss & Corbin, 1994) by uncovering relationships among subcategories grounded in the field and adding or disconfirming the previous ones, and ultimately (3) emergent coding (Eisenhardt, 1989; Yin, 2009), meaning generating a more parsimonious theory by identifying the categories and subcategories of variables that affects PM practices.

## 2. FINDINGS AND ANALYSES

**Figure 3: The four archetypes of HRM practices adoption**



### 2.1. The 4 Archetypes of Appropriation

#### 2.1.1. Formal use of PM practices.

The formal adoption of HRM practices, and in particular PM practices, is defined as the technical and social adoption by local employees of global HRM practices with low adaption to local needs. It can be illustrated as follows:

*“Actually during PM interviews, you really get feedback from your manager: what he thinks about you and what others think about you. So the PM system is very good. Not only because of the tool ... but also because you have the opportunity to say what you want. For example, I can talk about my training needs or my career development plans for the next year and my manager will think about that. (Xi Shao)*

Both the social and material dimensions appear in this example. On the one hand, PM practices include tools or figures strategically defined and independent from individuals but they also help individuals set the boundaries of the whole process (Quattrone & Hopper, 2006). On the other hand, PM is a social process that needs to be discussed and agreed upon at the individual, group, national and global levels. Moreover, the interviewee's perception is fully aligned with global guidelines and recommendations. She uses PM tools, and enacts PM practices exactly as prescribed by both the global and local PM handbooks. However, although she is extremely positive about the whole system "*PM system is very good*", she notes later on in the interview the low customization and adaptation of the system to her specific local needs.

#### 2.1.2. Rejection of PM practices.

Within the same local unit, some people may also purely and simply reject HRM practices, especially if there is weak pressure for global integration and a low adaptation to local needs.

*Maybe it's a truth of life, but if at the end of the day, the candidate who is selected to become the real big boss only depends on how close he or she is to the big boss and how much the big boss likes her or him, then what's the whole point of the PMS? (Thomas Li)*

Criticisms against PM practices are not new, whether it is in China, the USA or other Western countries. To name only the most significant, PM practices have been regularly accused of being unfair and inaccurate (Cardy & Dobbins, 1994); of being an administrative burden both for employees and organizations (Banks & Murphy, 1985); of targeting multiple and often contradictory objectives (Cleveland, Murphy & Williams, 1989); or of being a "deadly disease" (Deming, 1986), as they foster competition among employees and destroy all cooperative efforts in teamwork. What is more specific to the global context is that if there is neither pressure for global integration nor pressure for the adaptation to local needs, the process purely vanishes. If pressure from the global parent company is low and local managers do not see any added value, they are likely to reject the whole process. As illustrated by Thomas Li's statement, if the materiality of the organizational practice disappears and it becomes only a social process, if PM is not based on any document or formal evaluation but "*only depends on how close he or she is to the big boss and how much the big boss likes her or him*", then the whole foundation of the process vanishes. "*Then what's the whole point of the PMS?*"

### 2.1.3. Deviation of PM practices.

If there is weak pressure for global integration combined with high pressure for local adaptation, we suggest that deviant practices will likely to be observed. Local employees enact organizational practices and use organizational tools as is required by global headquarters, but not according to its guidelines. For instance, it is commonly agreed that power distance is high in China (Bond, 2010), and if there is only loose control from headquarters the whole PM process tends to become more top-down and gradually less reciprocal.

*In the PM system, there are two sheets (self-evaluation of the subordinate and evaluation by the manager). But since last year, we don't need the second sheet because people usually don't care about the self-evaluation. They only care about their boss' evaluation. Hence since last year the form has been updated and the self-evaluation has been deleted.*  
(James Xing)

In another unit, top management goes even further. They skip self-evaluation of the operators and evaluation by their direct supervisor. Instead, the evaluation is done by the directors of the operators, arguing that the direct supervisors have poor management skills. However, as is clearly stated in the global annual performance review guide Annual Performance Review should be “completed and signed by the direct supervisor” and the subordinates “should perform an objective self-assessment of achievements”. If subordinates and direct supervisors do not actively participate in the process, they do not simply change the organizational routine in a marginal way, they fundamentally move away from it. The participation of subordinates and direct supervisors is necessary to ensure that objectives can be customized and internalized, and to ensure that people are bounded to what they have agreed upon (Locke, Latham & Erez, 1988; Aguinis, 2009).

### 2.1.4. The internalization of PM practices.

We suggest that the internalization of particular PM practices in the context of transnational transfer of HRM practices is defined as the technical and social adoption by local employees of global HRM practices with a moderate to high adaption to local needs. Local employees make global practices their own by adjusting them slightly in order to adapt them to the everyday constraints. For instance, a production director explains how he purposefully modifies the grading of his own managers.

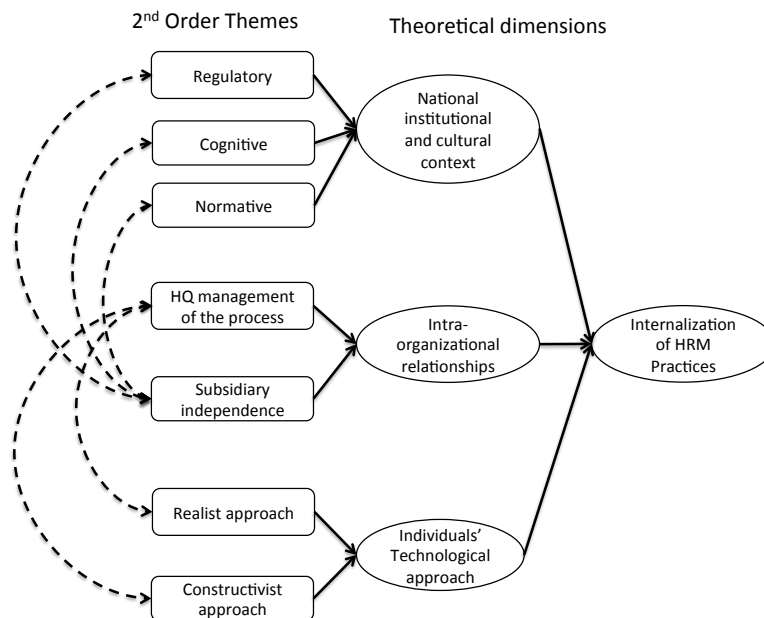
*“All the difficulty comes from the shift leaders. Some of them are subjective. In this case... after all the calculations... I insert a column to add some comments and I use different colors. I increase some coefficients to balance the grades (...). But of course it is based on*



*specific data. I can remember some important near-miss (Safety indicators) to make sure I can deduct 1 or 2 points (...) and afterwards I show the new scores to my boss and HR”.*  
(Xi Sheng)

In this example, the production director faces a common problem with PM (Jawahar & Williams, 1997). Some managers are more lenient than others, and are reluctant to give low scores to their subordinates although they are clearly poor performers. However, instead of clearly deviating from the global PM routine and contrary to many of his colleagues, this local production director decides to slightly change the grading system in order to reward individuals according to their contributions. He follows the principles of the global PM process and ensures a consistent distributive justice within his own team, but he also adapts the process to his local environment (high power distance and reluctance to give low scores). Interestingly, he both changes the effective materiality of the organizational routine – he adds a column in his own document -, and maintains the social dimension in this change - he ensures everyone (his direct supervisor and HR department) is aware of what he has done.

**FIGURE 4: The Internalization Process in the Transnational Transfer of HRM Practices**



## 2.2. The Internalization Process in the Transnational Transfers of HRM Practices

We propose that the internalization process of HRM practices, and in particular PM practices, is the sociomaterial development by which individuals develop new and unique practices re-

sulting from the dynamic interaction of the sociocultural and institutional environments with intra-organizational relationships and with the individual conception of management tools.

### 3.2.1. National level.

Drawing largely on the institutional framework (Kostova 1999; Kostova & Roth, 2002), we assume that the internalization process is driven at the national level by three components: regulatory, cognitive, and normative. As illustrated by the opposition between convergent and divergent theorist, we also assume that the internalization process results from the tension between global and local pressures. For instance, it is clear that the labor law constraints have been relatively weak for MNC in China since the economic reform launched by Deng Xiaoping (Björkman et al., 2008). However the labor legislation is also becoming more and more demanding with MNC especially since a few years and the Labour Contract Law of 2008 (Warner, 2008) or the 2013 Immigration law.

Regarding normative components, we also observed and coded cultural dimensions leading people to deviate from the headquarters' PM principles and at the same time to formally move towards them. On the one hand, there are many evaluation situations at Kemike in which managers and subordinates use a typical Chinese indirect communication style (Tsai & Wang, 2013) or a very high hierarchical distance. However this is contradictory to the recommendations of the headquarters that PM systems should be based on "open discussion" and the active participation of subordinates.

*Here I may have a wrong idea but it is really unlikely that someone is going to tell me I am wrong. (...) They (his direct subordinates) sometimes send you messages but you have to be very very sensitive to hear them. You really have to keep you eyes and your ears wide open to eventually perceive that they disagree with you or they think it is not the right idea. (François Malaurent, a French GM of an industrial unit)*

Largely because of Chinese cultural constraints, both foreign and local top management tend to bypass middle management. However, cultural components may also lead people to adopt PM practices in line with headquarter requirements. For instance, we clearly collected some evidence of the rise of individualist behaviours in the context of evaluation at work. Contrary to the widely assumed collectivist orientation of Chinese culture, local employees tend clearly to favour individually based performance rated reward system at Kemike (Bozionelos & Wang, 2007), the young generation in particular.

*“For example the 80s generation, they have a different state of mind. Compared to people of the 70s generation, they really need more coaching to open their mind, help others, and work as team members, not individually. It really requires more energy to train them and coach them. They are a bit more individualist”. (Xi Shao)*

Surprisingly, and although we paid a particular attention to other typical Chinese cross-cultural differences such as uncertainty avoidance, long-term orientation (Hofstede et al., 2010) Mianzi or Guanxi (Froese & Xiao, 2012), we didn't notice any significant impact on how people make PM practices their own. Bozionelos and Wang (2007) advance that the influence of Guanxi and Mianzi on PM may result in a very low differentiation of employees respecting to their performance, and we did notice the reluctance of managers to make discriminations amongst their subordinates. None, however, directly or indirectly mentioned the influence of Mianzi or Guanxi. This doesn't mean that these cultural dimensions may not potentially impact how Chinese internalize PM practices, but we suggest that indirect communication style and high hierarchical distance between managers and subordinates are significantly more likely to influence the internalization of PM than any other cultural dimension. Indeed, the PM process is fundamentally designed as a communication and control process at Kemike (Murphy & Cleveland, 1995). In return, people are more likely to engage in typical local communication and hierarchical styles, precisely because of the nature of the process. The material component of PM and how top management designs PM set the social boundaries and cultural dimensions to make sense of the process (Orlikowski, 2007).

### 3.2.2. The Intra-organizational relationships: management of the organizational process by headquarters.

The adoption and internalisation of organizational practices by individuals in local subsidiaries also largely depends on intra-organizational relationships. Firstly, MNC are likely to transfer their most successful home-country organizational practices over local subsidiaries (Kostova 1999). Secondly, MNC may adopt two different approaches to how they transfer organizational practices to subsidiaries: standardization or localization (Jensen & Szulanski, 2004). In transnational firms, as at Kemike, the transfer of HRM practices results mainly from a collaborative process between headquarters and subsidiaries. For instance, overall annual salary increase clearly results from a negotiation between the local unit and the global head office:

*First I collect information from the girls (his direct subordinates) on the (local) situation, and then I sell a first proposal to Nicolas (APAC president). (...) (Afterwards) the budget*

*results from a negotiation between Nicolas and Paris. (...) Once it's all done, we just give that (final) proposal to the BU department heads, for example 10% of increase for this year. Then you cannot exceed that budget for the whole department. (Yen Wang, China HRD director of Kemike)*

Since PM is a complex process that includes different tools (Cardy & Dobbins, 1994), it is difficult for the parent country to control the on-going development of each PM tool. Years after years, slightly new PM practices and tools emerge in the different local units and the whole process may considerably change from one unit to another. In 2004, just after the spin-off from its Oil and Gas parent company, the main industrial platform and the regional headquarter had relatively similar PM systems. They were both based on annual performance review and standard compensation and benefits including a yearly salary increase and a bonus. However, across time the industrial platform grew to include an outstanding performance award program (in 2007), and a mentoring program (in 2008). On the contrary, the regional headquarter included a special benefit schemes (a retention program for managers mainly based on seniority) and attempted unsuccessfully to implement a variable remuneration for top executives as well as more discriminating rewards for employees. In the end, the industrial platform's local initiatives led to a high involvement of senior management, whereas regional headquarters' local initiatives led to a low participation of senior management and employees in the PM system.

### 3.2.3. The Intra-organizational relationships: local subsidiary independence.

The more local units are dependent on their parent unit in terms of financial, technological and human resources, the less likely they are to enact local initiatives (Kostova, 1999; Björkman & Lervik, 2007). At Kemike, according to the APAC president, they are relatively independent from the global headquarters. However, MNC are complex entities and the Chinese entities may be autonomous from the global headquarters, but they are though strongly dependent on the different business units. Kemike has a standard divisional organizational structure, and power is located in business units not at the headquarters level.

Regulatory, cognitive and normative components of the national context have a direct influence on the degree of local entities autonomy. As described above the pressure from other local subsidiaries of Western MNC create some local norms that may increase the independence of local entities. The local legal constraints may prevent employees from using PM practices

as required by the global headquarters. We could also argue that quite paradoxically the comparison with local partners, such as Joint venture partners for instance, may reinforce the value of international standards coming from global headquarters.

*My first challenge is to ensure that everyone respects internal control procedures and it is quite tough since our plant is a Joint Venture. Some people work for our Chinese partner and Chinese state-owned companies they really don't care about internal control procedures. So you should encourage them and explain them what are the advantages of internal control procedures, that things can be easier and more convenient or something like that. (...) I try my best to reduce the gap between the financial and accountings standards of (our) multinational company and the local people thoughts (Barbara Gao)*

#### 3.2.4. Individuals' technological approach.

At the individual level, the central question is: what motivates people to adopt organizational practices? Drawing on a political paradigm, Longenecker and colleagues (1987) showed how managers frequently use their rating latitude to bias and distort employee evaluations, both inflating and deflating them, in order to defend and promote their own interests. However what is specific about individuals' motivations in the context of the transnational transfer of PM practices? Building on sociomateriality (Orlikowsky, 2007), we propose that people largely enacted two types of approaches at Kemike: realist and constructivist (Quattrone & Hopper, 2006).

Driven by the intra-organizational pressure from headquarters, some employees enact a realist approach to PM practices at Kemike. These employees have a very stable, consistent and coherent view of PM practices. On the one hand they conceive of organizational practices coming from the headquarters as superior to local practices. Based on international standards, PM practices are perceived as better designed and more scientific than traditional local practices. The material and universal dimensions of PM are reinforced and they strengthen the adoption of organizational practices. On the other hand, realist approaches lead people to have static perceptions of organizational practices, seen as immutable. People assume they use and control organizational tools and they are more likely to adopt them formally. However, if they face difficulties they may not allow themselves to deviate from standard use and reject these tools.

*Frankly speaking, before I worked in two companies, and we never had such kind of PM system... So when I joined Kemike and saw this PM system I thought it was a good one. It's fair, more fair than in my previous companies. Because before, we never had such kind of document to make the evaluation. (...) I think the PM system is objective, it's very clear.*

*And it's very, very fair to evaluate every people, because it is based on data, and all the digital figures to see realization. It's really more objective. (Xi Sheng)*

Other managers enact a constructivist approach to PM Practices. They do not set clear boundaries on these PM practices. They define the evaluation of performance at work as a social practice that may differ from one individual to another. They refer to a large number of PM tools and do not limit their perception solely to annual performance review, enacting a holistic definition of performance. However, constructivist approaches may lead people to lose sight of the coherence of the whole process. If people assume that everyone may interpret PM practices according to his or her own criteria, they tend to reject them.

*"I'm not really ... very specific on each item you know. I'm more interested in a general performance of the staff ... I'm more focused on the comments of our internal clients on the employees. So we can exchange our opinion of what has been achieved, you know." (Thomas Li)*

## CONCLUSION

Past research has emphasized and even overemphasized the cultural perspective in the transnational transfer of HRM practices, especially PM practices (Björkman et al., 2008; Festing & Knappert, 2014). Drawing mainly on institutional theory, IB and IHRM scholars (Kostova 1999; Mcgaughey & Cieri, 1999; Kostova & Roth, 2002; Björkman & Lervik, 2007; Kostova et al., 2016) contributed to a shift in focus onto institutional and intra-organizational components. However, the central concept of internalization remains largely unexplored and especially regarding HRM practices. Based on a 10-year in-depth longitudinal case study design, we propose combining both IB and sociomaterial literature (Orlikowski, 2007, Orlikowski & Scott 2008) to enrich our understanding, and defining the local internalization of global organizational practices in MNC as the sociomaterial process by which individuals develop new and unique practices resulting from the dynamic interaction of their sociocultural and institutional environments with intra-organizational relationships and with their individual conception of management tools.

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