JGPG (2020) 8: 7-26
DOI 10.14666/2194-7759-8-2-001

PAPER

How do Chinese Multinational Companies Coordinate and exert Control over Foreign Subsidiaries ?
The case of Chinese Subsidiaries in France

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Abstract France is nowadays an attractive country for Chinese investors. With their direct investments in France, Chinese companies pursue mainly market and asset seeking goals. However, Chinese might lack international experience, which makes performance of their subsidiaries in France difficult to achieve. Our research investigates how Chinese companies implement control and coordination mechanisms to manage their subsidiaries in France. We held interviews with 17 managers in charge of Chinese subsidiaries in France. We find that Chinese companies use four main mechanisms to exert control over their subsidiaries in France: (i) control through the share of capital in a subsidiary, with a clear preference for wholly owned subsidiaries or large majority shares in joint ventures; (ii) decentralised decision-making to compensate for the lack of international experience of Chinese managers; (iii) formalisation of the subsidiary's organisation through a mix of reporting, ERP and written documents; and (iv) control and coordination by international human resources coming from the Chinese headquarters, including expatriates with rather observational roles as well as frequent short-term assignments.

Keywords: China; Control; Expatriation; Foreign direct invesment; Foreign subsidiary; Multinational companies.

JEL Classification: M16; M31

Introduction

Chinese direct investments in France are growing steadily for the last 10 years. In 2018, China was the second Asian country to invest in France, just behind Japan, with 65 investment projects creating 2234 jobs (Business France, 2018). Among these projects, the investments of the major Chinese groups BYD (automobile and equipment manufacturer), MINYOUN (hotel and real estate) and AVIC (Aviation

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Industry Corporation of China) are the most prominent examples, due to the volume of investment and the numerous jobs that resulted from these investments.

Chinese companies pursue two main goals with their FDI in France (Gao and Schaaper, 2018). The first motive is market seeking, while Chinese companies want to increase their sales in French and European Union markets. Some Chinese companies are looking at the francophone West African markets, with which France has historical connections. Also, some Chinese companies target to enter specific protected European markets where direct access for Chinese companies is complicated, like the telecommunication sector, through establishing a subsidiary in France. The second FDI goal is strategic asset seeking. Chinese firms acquire various categories of strategic assets, with the aim to enhance their global competitiveness in international markets. The strategic assets the Chinese firms acquired through their FDI in France include industry-related technology, advanced production methods to upgrade their industrial capacity, R&D and innovation capabilities to develop higher added-value products and services as well as international recognised brands.

Despite the advantages offered by the host country, Chinese investors are aware of the difficulties on their internationalisation way in France. They might lack international experience (Deng, 2013; Wang et al., 2014). Moreover, the relatively high cultural differences between France and China can add difficulties in the management of a Sino-French subsidiary. Therefore, the headquarter-subsidiary relations between the parent company in China and its subsidiary in France are becoming important, of which particularly the issues of coordination and control. In this research, we focus on the following questions: How do Chinese multinational companies coordinate and exert control over their subsidiaries in France? What are the means used by Chinese companies to ensure the best coordination and control?

To bring answers to these research questions, we first reviewed the literature on the questions of coordination and management control of subsidiaries abroad. Then we conducted 17 face-to-face interviews with managers of Chinese subsidiaries located in France, which will be analysed. The structure of this article follows the same logic. The first part is devoted to a literature review, the second part details the data collection and analysis methodology whereas the third part discusses the results of our qualitative survey.

1. Control and coordination of a subsidiary abroad: what does academic literature teach us?

According to Mintzberg (1979), any organisation faces the complex issue to divide labour of tasks into subtasks to support specialisation, and the coordination of these subtasks to accomplish the overall task. An organisation can thus be defined as “the sum total of the ways in which its divides its labour into distinct tasks and then achieves coordination among them” (Mintzberg, 1979:2). In international management, coordination is a major and fundamental concern for companies (Martinez and Jarillo, 1989). Mintzberg (1979) distinguishes different mechanisms for coordinating work within an organisation: (1) Direct supervision, whereby coordination is achieved by one individual taking responsibility for the work of others, (2) Mutual adjustment, whereby coordination of work is made possible by a process of informal communication between people conducting interdependent tasks, (3) Standardisation of work processes, where coordination is made possible by specifying the work content in rules or routines to be followed, (4) Standardisation of output, where coordination is obtained by communicating only expected results, without describing the actions to undertake to reach these results, (5) Standardisation of skills and knowledge, where coordination is reached through training so that employees know what is expected in an almost automatic way, (6) Standardisation of norms and socialisation, so to establish common values and beliefs in order for people to work toward common expectations. These coordination mechanisms are means to achieve a sufficient level of integration between different divisions within the same organisation and to optimise overall operational performance (Martinez and Jarillo, 1989).

Geringer and Hebert (1989:236-237) define control as "the process by which one entity influences, to varying degrees, the behaviour and output of another entity through the use of power, authority and a wide range of bureaucratic, cultural and informal mechanisms". They add that as organisations expand in size, they face increased complexity and differentiation in their structures, as well as the risk of conflict, opportunistic behaviour and competing goals between or within units. As a result, top management confronts the crucial need to monitor, coordinate and integrate the activities of the organisation's business units, including international joint ventures (IJVs). In this last case, international joint ventures, insufficient or ineffective control may limit the parent company's ability to coordinate its activities, use its resources effectively and implement its strategy.

Between the 1950s and 1980s, researchers conducted empirical studies to find effective ways to improve coordination and control. The different ways that these studies underline to coordinate and control subsidiaries include: strategic planning, budgeting and functional plans (March and Simon, 1958), informal communication (Thompson, 1967), standardisation of processes, rules, procedures and results (Thompson, 1967; Galbraith, 1973; Mintzberg, 1979), meetings (Van De Ven, Delbecq and Koenig, 1976) as well as personal or direct control (Ouchi, 1979).

In their study of the evolution of research on coordination mechanisms in multinational corporations between 1953 and 1988, Martinez and Jarillo (1989) group extant research into three main streams. The first concentrates on the organisational structure of multinational corporations, including their departmentalisation, international divisions and product, area or matrix organisations. The second stream focuses on decision-making centralisation and bureaucratic control, which includes formalisation, standardisation and reporting. These authors stress that early studies did not distinguish clearly between centralisation and bureaucratic control. These first two streams focus more on formal mechanisms, whereas a third stream investigates more subtle mechanisms, such as informal communication, transfer of managers, behavioural control, socialisation, expatriation, visits, networks of people and corporate culture.

Ghoshal and Nohria (1989), studying headquarters–subsidiary relations, find that the optimal fit between environmental contexts and subsidiaries requires a combination of three elements: centralisation of decision-making, formalisation and normative integration. Centralisation implies governance mechanisms in which the decision-making process is hierarchical, such that HQ makes most crucial strategic and policy decisions. The level of centralisation is measured by the degree of autonomy that HQs grant to subsidiaries to make decisions about their own strategies and policies, such as the design of new products, manufacturing or human resource management. Formalisation is establishing routine decision-making and resource allocation through manuals, standing orders, standard procedures, well-defined sets of rules and policies as well as continuous monitoring to ensure that rules have not been violated. Normative integration is based on consensus and shared values for decision-making, which require investments in socialisation of employees. The main instruments of normative integration are the time the subsidiary managers work at the HQ, the presence of HQ mentors for subsidiary managers and the number of HQ visits to subsidiaries. In their empirical survey, normative integration is referred to as socialisation, a designation that continues to be used widely in organisation theory.

Nine years later, Nobel and Birkinshaw (1998) confirmed that these three modes of control had been well established in organisation theory literature. They describe centralisation as the decision-making power retained by HQ over topics such as the firm's direction, new projects, standards, budgets, hiring, cooperation, training and compensation. Formalisation is routinised decision-making through rules, procedures, standards and reports. Socialisation consists of developing common expectations and shared values among organisation members through visits to and from other units, rotation and training, which promote like-minded decision-making.

Harzing and Noorderhaven (2006) acknowledge that the triptych centralisation-formalisation-socialisation of Ghoshal and Nohria (1989) is relevant for the context of Western MNCs in Asia, though they consider expatriation as a stand-alone complementary control dimension. Expatriation plays an important role in controlling foreign subsidiaries (Perlmutter and Heenan, 1974; Ondrack, 1985; Philips and Fox, 2003; Dowling, Festing and Engle, 2013). Western multinationals rather often send their own expatriates to manage subsidiaries abroad and thus reduce transaction costs (Kabst, 2004; Tan and Mahoney, 2006). Expatriates can also facilitate communication with the parent company and transmit central information (Jaussaud, Mizoguchi, Nakamura and Schaaper, 2012). But at the same time, the high costs and frequent failures associated with expatriation have prompted MNCs to rely a lot on short-term assignments to subsidiaries in Asia, on the one hand (Petrovich et al. 2000; Bonache et al. 2010; Cartus, 2010) and on localisation of management positions, on the other hand (Schaaper et al., 2013).

The last decade, new forms of coordination and control have emerged, of which especially worldwide ERPs and intensive travel. One of the goals of an ERP is to gain managerial control over the firm's operations (Schwarz and Brock 1998; Willis and Chiasson 2007). According to Davenport (1998), ERPs centralise control and standardise processes. Yet Davenport (1998) also highlights the paradoxical impact of ERP on a firm's organisation and culture: they lead to higher degrees of centralisation, but the availability of real-time data streamlines management structures and creates more flexible organisations. Schwarz and Brock (1998) note that ERP facilitates new organisational structures and that the wider availability of information to all employees facilitates communication, create stronger management teams and thus reinforces social control. With a quantitative survey of 156 companies in China, Wang (2007) asserts that the deployment of an ERP leads to flatter, more decentralised and standardised organisational structures.

The development of high-speed, global travel, as well as the remarkable progress in information and communication technologies, have changed the way people work, especially across national borders. Different empirical researches (Mayerhofer et al., 2004; Tahvanainen et al., 2005; Welch et al., 2007; Bonache et al., 2010) find that short-term assignments and international missions complement crucial but costly expatriation. Several studies emphasise the increased use of short-term assignments, especially for subsidiaries in China, the Indian subcontinent and South-East Asia (Petrovich et al. 2000; PriceWaterhouseCoopers 2005; Bonache et al. 2010; Cartus, 2010). Mayerhofer et al. (2004) state that the main purposes of short-term assignments are to provide expert knowledge, solve technical problems, conduct audits, attend meetings and conferences and deliver training. But these assignments also include supervisory activities and can as such be considered as a form of managerial control (Tahvanainen et al., 2005). Short-term assignees complement expatriates in their control function, but they also play an important role in circulating information throughout the network of subsidiaries.

Coordination and control mechanisms are not independent of each other and a company does not have to choose between formal and informal mechanisms. Multinational companies in general use a combination of mechanisms to coordinate and exert control over their subsidiaries abroad, depending especially on the strategic goal of the subsidiary and the size of the multinational (Amann et al., 2014). Extant research has studied the way how Western multinationals use control and coordination dimensions to manage their subsidiaries in Asia. However, there is a dearth of research on “reverse international management”, i.e. management of subsidiaries in developed countries owned by emerging country multinationals. Our research goal is to understand how Chinese companies combine the different mechanisms to better coordinate and control their subsidiaries in France.

2. Empirical methodology

The main purpose of this study is understanding how Chinese companies combine the different mechanisms and instruments to coordinate and exert control over their subsidiaries in France. Only a few academic empirical researches (Shen & Edwards, 2006; Fan et al., 2013; Wang et al., 2014) have explored this question. Therefore, we opted for qualitative interviews with, mostly Chinese, managers of Chinese subsidiaries established in France.

2.1 The empirical field is France

France is a developed, industrialised country and an attractive destination for Chinese outward FDI. In 2014, France and China celebrated the fiftieth anniversary of the establishment of diplomatic relations between the countries. This event intensified the development and cooperation between China and France. In 2019, France's GDP of 35,400 euro per capita is the 9th highest in Europe. With 66 million inhabitants, its total GDP of 2.5 billion euro is the third largest in Europe, after Germany (3.5 billion) and the UK (2.6 billion), and 6th largest worldwide. The French consumer market is the third largest in Europe, and offers good opportunities for Chinese firms. Furthermore, France is located in the Western part of the European Union, bordered by the North Sea, the Mediterranean Sea and the Atlantic Ocean. The air, road, maritime and rail transport systems are highly developed. Its neighbouring countries, Belgium, Luxembourg, Germany, Switzerland, Spain and Italy, and the UK (connected by a tunnel), also offer very attractive consumer markets. So, France is clearly a gateway to European markets. French firms have competitive advantages in many sectors, including aviation, nuclear power, chemical industries, medicine, and agriculture. France's strong mathematics, physics, and engineering cultures lead to the creation of excellent research output and innovation centres, both public and private. According to the statistics of the World Intellectual Property Organisation (WIPO, 2017), France ranks 6th worldwide in terms of international patents ownership. This has attracted the attention of Chinese companies, especially those looking for strategic assets.

2.2 Sample of Chinese subsidiaries in France

We initially contacted nearly 200 managers of Chinese subsidiaries located in France. However, the hierarchical nature of Chinese corporate culture sometimes leads Chinese expatriates to avoid interviews. Furthermore, expatriates who agreed to cooperate did not always fulfil our sample requirements. In total, we conducted face-to-face interviews with managers of 17 Chinese subsidiaries in France, including 11 Chinese expatriates and 6 local French managers. At the request of most of these interviewees, we do not provide the names of the companies, nor the interviewees' personal identities. With this guaranteed anonymity, the respondents spoke more freely and did not feel the need to ask for permission from supervisors in the powerful Chinese corporate hierarchy. Consequently, we only indicate industries in broad terms. We underline that the 17 interviews led to information saturation so that the last interviews which we conducted did not supply any new or significant information related to our research questions (Symon and Cassel, 1998). Table 1 contains an overview of the sample.

Table 1: Sample characteristics

Case	Founded	Ownership	Age years	Employees worldwide	Industry sector	Manufacture trade service	Entry year France	Entry mode	Subsidiary capital structure	Employees in France
C1	2006	SOE	9	1 000	Consumer goods	Service	2012	M&A	IJV 70%/30%	15
C2	1997	SOE	18	30 000	Maritime transport	Service	1999	Green-field	100% China WOS	23
C3	1995	SOE	20	19 000	Real estate industry	Service	2012	Green-field	100% China WOS	6
C4	1996	Private	19	1 400	Nuclear industry	Manufac-turing	2013	M&A	100% China WOS	10
C5	2001	Private	14	4 000	Wig manu-facturing	Manufac-turing	2012	Green-field	100% China WOS	20
C6	1988	Private	27	150 000	Telecommu-nications	Service	2003	Green-field	100% China WOS	650
C7	1955	SOE	60	16 000	Engine manufacturing	Manufac-turing	2011	M&A	100% China WOS	100
C8	1996	Private	19	2 500	Broadcasting & cable TV	Service	2009	Green-field	100% China WOS	5
C9	1996	Private	19	1 200	Wolfberry processing	Manufac-turing	2012	M&A	100% China WOS	20
C10[1]	2004	SOE	11	110 000	Chemical industry	Manufac-turing	2006 2007	M&A M&A	100% China WOS IJV 80%/ 20%	3100
C11	1903	Private	112	28 000	Beer production	Manufac-turing	1995	Green-field	100% China WOS	5
C12	1991	Private	24	10 000	Medical equipment	Manufac-turing	2008	M&A	100% China WOS	47
C13	1946	SOE	69	55 000	Diesel ma-nufacturing	Manufac-turing	2009	M&A	100% China WOS	190

Case	Founded	Ownership	Age years	Employees worldwide	Industry sector	Manufacture trade service	Entry year France	Entry mode	Subsidiary capital structure	Employees in France
C14	1978	SOE	37	130 000	Steel manu-facturing	Manufac-turing	1995	M&A	100% China WOS	25
C15	1980	SOE	35	16 000	Service sector	Service	1992	Green-field	100% China WOS	20
C16	1961	SOE	54	130 000	Maritime transport	Service	1991	Green-field	100% China WOS	30
C17	2008	Private	7	100	Mining industry	Mining	2013	M&A	IJV 75%/25%	20

[1] Chinese enterprise (CE) 10 conducted two acquisitions, in 2006 and 2007.

Notes: SOE = state-owned enterprise, M&A = merger and acquisitions, WOS = wholly owned subsidiary, IJV = international joint venture.
For the IJVs, the first percentage listed refers to the amount held by the Chinese partner, and the second percentage is the amount held by the French partner

The sample is diversified and interesting to analyse. Our sample contains both SOEs (8 cases) and private companies (9 cases), which invested in various industrial and service activities, including manufacturing (steel, diesel engines, tractors, consumer goods, medical equipment), transport, and services (real estate, telecommunication, broadcasting). This confirms Rui and Yip's classification (2008:213) when they ranked Chinese acquisition firms in three categories: large SOEs which are impelled by the Go Global policy; large or small public share-issuing companies and private companies. Concerning the preferred entry mode, most of the investing Chinese companies use wholly owned subsidiaries to settle in France (15 out of 18 cases), of which eight through greenfield investments and seven through M&As. Three Chinese companies opted for an M&A through an international joint venture with a local French partner. However, in case of international joint ventures, the Chinese partner holds a strong majority part of the IJV shares (70, 75 and 80 percent respectively). Our sample characteristics fit in largely with the observations of Zhang et al. (2013: vii) that, based on MOFCOM and Eurostat data, "Chinese investors largely opt for wholly owned subsidiaries and majority owned joint venture to establish in Europe".

2.3 Interviews

To prepare for the interviews, we wrote a semi-structured interview guide in French and Chinese. The interview guide started with questions about the history of the MNC in its home country and the development of their internationalisation. With two open-ended questions, we encouraged managers to describe first their main reasons for investing in France and the entry mode their firm used. Then, we focused on the management of their subsidiary in France, asking the respondents to describe their expatriation and localisation policies, including the number of expatriates and local managers, their roles and management positions, the level of centralised decision-making (strategic, operational and budget decisions), the use of formal control mechanisms (ERP systems, written procedures, job descriptions, reporting) and informal control mechanisms (short-term visits and missions, training, task rotation, corporate culture, shared values, meetings between the parent company and the subsidiary). Again, we asked the respondents to explain in greater depth, when relevant, the reasons for their management practices. The interviews were held in 2015. They lasted between 45 minutes and 2.5 hours, sometimes including a visit to the company. Intentionally, we did not record the interviews, because doing so with the Chinese subordinate expatriates would have required permission from corporate hierarchies, which is difficult to obtain within Chinese corporate culture. Instead, during the interviews we took carefully handwritten notes and immediately after the meeting we fully wrote out the content of the interview. We sent back the written transcripts to the interviewees and asked for their feedback and validation.

2.4 Data analysis

The data analysis followed the qualitative methodology of Silverman (2006) and Miles and Huberman (1994), who recommend a full transcription of the interviews, the development of a coding frame which fits in with the theoretical background, a pilot test and coding. More precisely, after the full transcription of the interviews, we distributed the text of the full transcripts of the 17 interviews into a thematic content analysis grid, with one column per interview and one row per question or sub-question on the interview questionnaire. Then, on the basis of our research questions and expectations as well as empirical results published in academic journals, we drew up an initial list of pre-specified codes (numbers, keywords, short phrases) related to the main instruments which multinationals frequently use to coordinate and exert control over their overseas subsidiaries. We reduced the fully transcribed interview grid, question by question and interview by interview (i.e. cell by cell) according to these pre-specified codes. During the coding of the interviews, we added some spontaneously evoked codes, which Miles and Huberman (1994) call "emerging codes". Thus we obtained a reduced content analysis grid. To check the reliability of the coding, each member of the research team performed individual coding. Any differences were resolved through discussion. We also added some supplementary variables drawn from external secondary data sources, such as websites, trade directories and Chinese government investment agencies, which enabled us to understand the FDI choices made by the interviewed companies. In relation to our research question, we looked specifically, row by row, for similarities and contrasts between the interviewed Chinese companies. We finished the analysis with repeated readings of the interviews.

3. Results: How Chinese companies carry out coordination and keep control over their subsidiaries in France?

After a thorough analysis of our qualitative data, coding and categorisation of the 17 interviews, we find that Chinese companies coordinate and exert control over their French subsidiaries by combining four main dimensions of mechanisms, which are: control through the share of capital that the parent company owns in the subsidiary (§3.1), control and coordination through decentralised decision-making (§3.2), control and coordination through formalisation of the subsidiary's organisation (§3.3) and control and coordination through international human resources which the Chinese parent company sends to their subsidiary in France (§3.4).

3.1 Contractual control through the share of capital that the MNC detains in a subsidiary

The percentage of capital that an MNC owns in a subsidiary is a key instrument of control. Since the end of the 1990s, there is a real trend to use more and more wholly owned subsidiaries instead of international joint ventures as an entry mode, for several reasons. First, due to international trade agreements, most sectors worldwide have been opened to full foreign-owned investments. Second, wholly owned subsidiaries offer better control over foreign operations. Moreover, wholly owned subsidiaries are easier to manage and potentially induce less conflict than international joint ventures.

Third, a wholly owned subsidiary is less prone to leakage of sensitive production know-how and technology or allow better integration of acquired technologies. Fourth, MNCs with long international experiences have the capabilities to set up subsidiaries abroad without the help of local partners. We can however stress that this seems not to be the case of Chinese multinationals, when they do direct investments in developed countries. Although the general point of view is that wholly owned subsidiaries are nowadays most appropriate for FDI, in some cases international joint ventures still offer a good alternative solution, for several reasons. In particular, local partners might facilitate and accelerate administrative and bureaucratic procedures. Also local partners are sometimes useful for developing local distribution or logistics networks and might have better and deeper knowledge of local consumer's needs.

Looking closely at table 1, summarizing the sample characteristics, we see that in 15/18 cases (C2, C3, C4, C5, C6, C7, C8, C9, C10, C11, C12, C13, C14, C15 and C16), the Chinese companies have chosen the wholly-owned subsidiary as their entry mode into France. 7 of these 15 firms did a merger-acquisition of an existing French firm, whereas 8 of these firms did a greenfield investment, i.e. that they created a new subsidiary. Three Chinese investments in France were done with a local French partner, in the form of an international joint venture. However, in all three cases, the Chinese partner acquired a large majority share of the capital of the international joint venture. So we confirm that Chinese firms in France clearly prefer to invest detaining a high share of capital, 100% in most cases. The first reason for such clear preference for 100% acquisitions is that foreign investors in France are not obliged to join with a local partner in a joint venture, as is sometimes still the case for French investments in China, which allowed them to acquire fully existing French firms.

The second reason is related to the asset-seeking goal pursued by several Chinese companies of our sample. To accelerate the integration of the acquired assets, the best way is to take full control over companies abroad. Chinese companies are known for cheap labour, which has allowed them in the 1990s to produce at low costs and sell massively worldwide through export. However, their capacity to innovate remains modest. In recent years, the Chinese state and Chinese companies have become aware of the importance of R&D and innovation. There is now a change ongoing in China's economic structure, from low-cost to high value-added production. France is known in China as a technological advanced country and is one of the main destinations for asset-seeking Chinese FDI. The seven companies of our sample (C4, C7, C9, C10, C12, C13 and C14) which did 100% M&A of existing French firms, explained that they aimed with these acquisitions to upgrade their technologies and knowledge. Full, 100% acquisitions allowed them not only to obtain patents, technologies and knowledge quickly, but also to integrate research and development teams, local managers and qualified employees. A wholly owned subsidiary guaranteed better control, facilitated the integration of processes and transfer of know-how internally.

Nine companies of our sample (C1, C4, C7, C9, C10, C12, C13, C14 and C17) explained that they had limited international experience. Consequently, they wanted to obtain knowledge in international management, but also knowledge about European consumer behaviour, marketing and international financing. Their full acquisitions in France enabled them to improve their management techniques and to transfer the best practices to the parent company in China.

In addition, three Chinese companies (C1, C10 and C17) have chosen the creation of an international joint venture, partnering with a French company, while taking a large majority stake in the capital: 70% for C1, 80% for C10 and 75% for C17. Hennart (1991) reminds that the percentage of the capital held by the partners in a joint venture determines the degree of control, while Killing (1983) reminds that generally the partner with the majority share of the capital has the greatest level of control. So, the majority stake held by the Chinese companies, allows them to reduce risk while benefitting from the knowledge of the French partner, including technical knowledge, local market knowledge and management skills.

Overall, we see that the Chinese companies of our sample opt for wholly owned subsidiaries or large majority stakes in international joint ventures, to keep control over their subsidiaries in France. Such high levels of control enable the Chinese companies to access technologies, to acquire knowledge in France and to transfer this knowledge to the parent company in China, with the aim to improve its global competitiveness.

3.2 Control and coordination through decentralised decision-making

Centralisation implies governance mechanisms in which the decision-making process is hierarchical, such that HQ makes most crucial strategic and policy decisions. The degree of centralisation determines in turn the degree of autonomy that HQ grant to subsidiaries to make decisions about their own strategies, such as the design of new products, manufacturing, financial decisions, marketing or human resource management. High centralisation of decision-making allows managers at the headquarters to keep tight control over subsidiaries abroad, whereas overseas' subsidiaries only have a simple role of executor. Centralisation generally is accompanied by standardisation of management policies and practices within the network of the company, which facilitates economies of scale and increases the efficiency of operations worldwide. However, there may be communication problems and misunderstandings between the parent company and subsidiaries. Also, central decisions may sometimes not meet the needs of local consumers or not allow benefitting from local opportunities.

We identified four main dimensions of decision-making within the subsidiaries of our sample: strategic, financial, human resources and marketing decisions. Table 2 shows that for half of the cases, the strategic decisions, which engage the subsidiary for a long period, are centralised at the parent company, while operational decisions, that are implemented at a day-to-day management level, are largely decentralised in all cases. Thus, we can state that Chinese subsidiaries in France enjoy a high level of autonomy.

Table 2: Centralisation - autonomy of decision-making in the Chinese subsidiaries of our sample.

Subsidiary	Decision-making			
	Strategy	Finance	Marketing	Human Resources
C1	Subsidiary	Subsidiary	Subsidiary	Subsidiary
C2	HQ	Subsidiary	Subsidiary	Subsidiary
C3	Subsidiary	Subsidiary	Subsidiary	Subsidiary
C4	HQ	Subsidiary	Subsidiary	Subsidiary
C5	HQ	HQ	Subsidiary	Subsidiary
C6	HQ	Subsidiary	Subsidiary	Subsidiary
C7	Subsidiary	Subsidiary	Subsidiary	Subsidiary
C8	Subsidiary	Subsidiary	Subsidiary	Subsidiary
C9	HQ	Subsidiary	Subsidiary	Subsidiary
C10	HQ	Subsidiary	Subsidiary	Subsidiary
C11	Subsidiary	Subsidiary	Subsidiary	Subsidiary
C12	Subsidiary	Subsidiary	Subsidiary	Subsidiary
C13	Subsidiary	Subsidiary	Subsidiary	Subsidiary
C14	Subsidiary	Subsidiary	Subsidiary	Subsidiary
C15	HQ	Subsidiary	Subsidiary	Subsidiary
C16	HQ	Subsidiary	Subsidiary	Subsidiary
C17	Subsidiary	Subsidiary	Subsidiary	Subsidiary

The main reason for Chinese companies to practice high levels of decentralised decision-making is linked to the market seeking goals for their French FDI. Most Chinese firms of our sample invested in France with the aim to sell on the French and European consumer markets, and even on African markets (which for political, historical and geographical reasons are linked to France), though they lack international marketing competencies. The Chinese managers of the parent company not always have sufficient knowledge of the French or European markets their company wishes to penetrate, which exhibits large cultural differences with the Chinese market. European consumer behaviour is different both in terms of preferences and purchasing habits. A lack of knowledge about these markets prevents Chinese HQs from making the right decisions. So, decentralising decisions especially in the field of marketing and HRM, allows Chinese companies to adapt correctly their sales strategy the local consumer needs.

Our interviews reveal that the decentralisation of decision-making provides some substantial advantages for the Chinese parent company. First, local decision autonomy enables Chinese companies to benefit from the knowledge of local managers of the French and European consumer markets and to implement quickly decisions. Secondly, the decision-making autonomy enjoyed by local managers creates a sense of belonging, which motivates, involves and empowers local staff and increases trust between the parent company and the subsidiary. In turn, it reduces turn-over of local managers after an acquisition. Finally, the autonomy of local managers is an effective way for the Chinese parent company to learn from their experience and managerial techniques and thus compensate for the international inexperience of Chinese managers.

3.3 Control and coordination by formalising the subsidiary's organisation

Ghoshal and Nohria (1989) define formalisation as routine decision-making and resource allocation through the use of manuals, standing orders, and procedures to ensure that rules have not been violated. Birkinshaw (1998) confirms that formalisation is routinised decision-making power through rules and procedures.

Chinese subsidiaries in France generally benefit from a high level of decentralisation in their decision-making. To compensate for this autonomy, the Chinese companies in our sample put the formalisation of the organisation at the centre of their coordination and management control system. The objective the parent companies pursue with the implementation of formalisation mechanisms is to better look over and control the activities and operations of its subsidiaries in France.

All the 17 subsidiaries of our sample report regularly to their parent company in China. Ten companies (C2, C4, C5, C6, C10, C11, C12, C13, C15 and C16) report at least once a month. According to these companies, frequent reporting facilitates the communication between the parent company in China and the subsidiary in France. It enables the HQs to measure the performance of their subsidiary and to carry out a diagnosis of the situation in the case of a problem. In the context of decentralised management, reporting also enables the Chinese HQs to verify that the subsidiary complies with the general rules.

The second formalisation tool which Chinese companies use to monitor the performance of their subsidiary in France are ERP systems. Nine companies of our sample (C2, C4, C6, C7, C10, C12, C13, C15 and C16) implemented an ERP. The objective that Chinese parent companies pursue with these ERPs is to coordinate international operations, including production, inventories, accounting, purchasing and sales of their company on a same central platform. ERPs allows Chinese HQs to standardise processes, to keep a global overview and to optimise coordination and communication between subsidiaries and HQ.

Seven companies (C1, C4, C5, C6, C8, C15 and C16) of our sample stressed the importance of written standardisation of processes, as this contributes to better coordination of work between the parent company in China and the subsidiary in France. Culturally, Chinese companies extensively use written documents to prevent misunderstandings. According to the companies we interviewed, standardising processes with formal written documents leads to better coordination.

In short, in the context of decentralised management practiced by most Chinese companies of our sample, formalisation plays a complementary and necessary role in coordinating and controlling Chinese subsidiaries in France.

3.4 Control and coordination by international human resources

Sending expatriate managers to a foreign subsidiary is a frequently used control mechanism. However MNC might pursue different and complementary goals when appointing expatriates. First, "from a control and coordination perspective, the appointment of an expatriate […] helps to ensure that the way the affiliate is managed is in line with the interest of the parent company […]; the expatriate can thus be considered either as a means of headquarters supervision or as a mechanism of social control" (Belderbos and Heijltjes, 2005, p. 345). Second, "from a perspective of knowledge creation and learning, the objective of the parent when assigning an expatriate is to develop managers by means of foreign experience or […] to develop the organisation so that a knowledge network is created through expatriation" (Belderbos and Heijltjes, 2005, p. 345).

Table 3 lists whether key management positions in the subsidiaries of our sample are occupied by a local manager or by a Chinese expatriate. In addition, the last column gives the number of Chinese expatriates working in the Chinese subsidiary in France.

Table 3: Key management positions held by Chinese expatriates and local managers.

Subsidiary	**Key Positions**					**No. of expatriates**
	CEO	**Marketing**	**CFO**	**Production**	**HRM**	
C1	Local	Local	Local	Local	Local	0
C2	Chinese	Local	Local	/	Local	2
C3	Chinese	Local	Local	Local	Local	1
C4	Local	Local	Local	Local	Local	0
C5	Chinese	Local	Local	/	Local	1
C6	Local	Local	Local	Local	Local	1
C7	Chinese	Local	Local	Local	Local	3
C8	Chinese	Local	Local	/	Local	1
C9	Chinese	Local	Local	Local	Local	1
C10	Local	Local	Local	Local	Local	0
C11	Chinese	Local	Local	Local	Local	1
C12	Local	Local	Local	Local	Local	0
C13	Local	Local	Local	Local	Local	1
C14	Local	Local	Local	/	Local	1
C15	Chinese	Local	Local	/	Local	3
C16	Chinese	Local	Local	/	Local	3
C17	Local	Local	Local	Local	Local	0

Table 3 clearly shows that control and coordination by expatriation is relatively weak for Chinese companies in France. Only nine of the seventeen subsidiaries in our sample have a Chinese CEO. This result is rather different from the French case in China. For instance, Schaaper et al. (2011) reveal that many French subsidiaries in China grant a central role to expatriates in their Chinese subsidiaries, and underline the importance of appointing an expatriate CEO. French companies in China show a more ethnocentric management than Chinese companies in France, which show a rather polycentric management style (Gao & Schaaper, 2018).

Sending expatriates to foreign subsidiaries is costly (Latta 1999; Wong and Law 1999; Selmer 2003) and not always efficacious (Tung 1981; Black et al. 1991) leading sometimes to failure or negative effects in host-country business (Harris and Brewster 1999). To limit the extensive use of expatriates, MNCs send experts from headquarters or other units of the MNC's network, on short-term assignments to their subsidiaries abroad. Short-term international assignments are longer than a business trip but shorter than the typical expatriate assignment, usually between one and six months. A short-term assignee is both less costly and more flexible than traditional long-term expatriates while performing some of his or her functions (Mayerhofer et al., 2004). Short-term missions are of increasing importance, and studies show that their use is growing at least as fast as the use of expatriates (Bonache et al. 2010; Mayerhofer et al. 2004). The main purpose of short-term assignments is to set up projects, provide expert knowledge, support technical problem solving, conduct audits, deliver training courses, do negotiations and supervisory activities (Welch et al., 2007, Mayerhofer et al., 2004). Short-term assignees thus bring in skills and knowledge to specific locations, which might lack locally, on short notice. Also, through their frequent travel, international short-term assignees collect and transfer information and knowledge about foreign markets and operations through the subsidiary network of the MNC as well as between HQs and foreign subsidiaries. Moreover, sending managers and engineers on short-term assignments contributes to their personal managerial development and prepare them for future expatriation (Tahvanainen et al., 2005).

The Chinese companies of our sample do not practice intensively control and coordination of their subsidiaries through expatriation. To compensate, they send rather frequently short-term assignees to their subsidiaries in France. Sometimes these assignments are intended for high-level Chinese executives coming from the HQs who visit briefly the French subsidiary. The duration of assignments varies greatly, depending on the company and the mission, but in our sample, this type of travel rarely exceeds 6 months. In most cases, Chinese assignees come to France alone, without their family, while keeping their main job in China. Chinese companies confirm that short-term assignments can sometimes offer young Chinese executives the opportunity to work with French or European teams so that they gain international experience, preparing them for future expatriation.

Conclusion

The main objective of this research is to understand how Chinese companies use various mechanisms to manage their subsidiaries in France and maintain control over them. In order to provide empirical answers to our research questions, we conducted 17 face-to-face interviews with managers in charge of Chinese subsidiaries in France. We note that Chinese companies use four main dimensions of coordination and control mechanisms to manage their subsidiaries in France: control through the share of capital they detain in a subsidiary, control and coordination by decentralised decision-making, control and coordination by formalising the subsidiary's organisation as well as control and coordination by international human resources coming from the Chinese headquarters.

As far as the share of capital is concerned, Chinese companies have a clear preference for wholly owned subsidiaries or a large majority share of the capital in case of a joint venture. This strong equity investment facilitates the acquisition and transfer of technology and knowledge to the parent company. In addition, the parent company must maintain strong control over the activities of their subsidiary in France. As regards centralisation, Chinese companies primarily decentralise and grant decision-making autonomy to local managers in order to compensate for the lack of international experience of Chinese managers. Such decentralisation allows Chinese companies to better meet the needs of local consumers. It also allows Chinese companies to establish a relationship of trust and cooperation with their local, French, managers, which creates a sense of belonging and strengthens long-term cooperation.

Within the framework of decentralised management practiced by Chinese companies in our sample, formalisation is a central tool to coordinate foreign activities and exert control over subsidiaries in France. Formalisation allows Chinese companies to have a global and transversal view on the operations of their subsidiaries. The Chinese companies of our sample formalise the relationship between HQs and the subsidiaries through a mix of reporting, integrated ERPs as well as written standards and procedures.

For the Chinese companies in our sample, we note that the coordination and control mechanisms they implement are not independent. Formal mechanisms are complemented with more informal mechanisms with human interaction. Also, the Chinese companies of our sample do not practice intensively control of their subsidiaries through expatriation. Expatriates have more observational roles. In addition to expatriation, Chinese companies frequently send short-term assignees to their subsidiaries in France. This international HRM policy generates exchanges and communication between managers of the parent company and those of the subsidiary, with an emphasis on non-hierarchical information flows between managers. This allows them to share the company's values and goals in a more relaxed environment.

Our research on the coordination and control of Chinese subsidiaries in France has its limits. First, due to the small sample size, we cannot generalise without caution our results to a broader context. Also, the control and coordination mechanisms that Chinese companies implement in their subsidiaries abroad can be radically different if the strategic objectives of the subsidiaries are not market-seeking or asset-seeking in developed countries, but the acquisition of natural resources, in Africa, or low-cost production, in South-East Asian countries. In such case, the Chinese control model and management style are probably different.

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