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The tortuous ascent of global value chains- the case of pharmaceutical R&D China

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Introduction- MNCs as transnational social spaces

Recent departures in the theorisation of international business (IB) have taken issue with previous preconceptions in the field which have tended to regard the exercise of power and politics in multinational corporations (MNCs) in primarily managerial, functionalist and rationalist terms. An assumption has persisted that power is somehow 'bound up' in the organizational fabric of the MNC, or in the institutional arrangements surrounding it. As Geppert and Dörrenbächer (2014) state 'Power and politics have been conceptualised in a rather static and over- socialized way, in which interests and identities are understood as being ingrained as key features of national business systems and have developed in a path dependent way (233)'. However, according to Dörrenbächer and Geppert, (2016), 'emergent critical perspectives' (Barner- Rasmussen et al, 2010), have begun to herald a revision of mainstream IB and sociological perspectives so that power and politics appear centre stage, constituting dynamic phenomena enacted through the interactions and engagements of key human actors within the MNC. Such emergent 'socio- political' studies, characterising MNCs as sites for political contestation between indigenous actors materialise most evidently when a 'bottom up', and micro- level perspective is taken on the creation and reproduction of sedimentary power relations.

It is in the vein of 'emergent critical perspectives' on international business that the current study departs. The empirical basis for this article is a 'green field' site established on the outskirts of Shanghai, dedicated to the research and development of a specific line of medical enquiry, the fruits of which were to be 'sourced' by a well -known western Pharmaceutical MNC. While it is acknowledged at the outset that this study refers to a single case organisation based in China, it is noted that the sourcing of 'talent' by western corporations in the emerging economies is becoming more widespread across a range of sectors and therefore that observations and findings may possess some generalisability beyond the immediate point of reference.

As the author of this paper and a research associate were allowed privileged access to the China R&D site at an early stage of its establishment, it was possible to observe, at the 'grass roots' the fault lines that occurred in its micro-political construction despite the shared mission espoused by staff cohorts from West and East with an ultimate goal of 'discovery' and innovation. Through exposure to the 'shop- floor' of this new international concern, the researchers were able to gain first hand insight into intercultural dynamics of work which could be characterised as conflictual as well as co-operative. Through hearing the stories of primary groupings represented within the enterprise, it becomes possible to discern how their specific orientations to work have been influenced by their personal and national histories, as well as by the rapidly changing contexts in which they find themselves.

It should be borne in mind that the form of international enterprise being explored is contemporary in nature, the Chinese R&D site being construed as a 'platform' or 'modularized component' subject to 'sourcing' within a globalized corporation. It is worth highlighting, therefore, critical factors that render this modernistic case distinctive, these impinging upon the 'stories' that emerge. Firstly, as a modular organizational prototype, the R&D site in China may be characterized as manifesting a relatively fluid and transient status. Its existence may be either continuous or discontinuous depending upon its success in adding significant 'R&D value' to the operations of the MNC. Secondly, the site was purposefully established in China by the Corporation to tap into the skills of the growing body of highly trained scientists and exemplary knowledge workers now proliferating in this emerging economy. The contribution of the 'subsidiary' to the 'parent' is therefore of advanced strategic value, and is indicative of the ascent of Chinese skills within international value chains. Thirdly, in apparent acknowledgement of the strategic risks associated with operating over distant

geographical as well as international space, the Board of the MNC decided to inject a quite novel ingredient into the international staffing 'mix' at the site. As well as deploying 'traditional' expatriates the MNC appointed a group of ethnic Chinese 'returnee' scientists (i.e. those emigrating from China to 'The West' to occupy senior pharmaceutical positions and now being encouraged to return to the China site) in order to create a normative, as well as scientific, 'bridge' between the HQ and China based subsidiary. This bicultural, as well as bilingual, grouping may be regarded as comprising polyvalent 'culture carriers' as well international knowledge workers, the body of staff in question constituting a major respondent constituency for the purposes of this study.

It may be argued that the modularized and modernistic international enterprise operating in the emerging or developing economy setting potentially offers the researcher particularly fruitful territory for observing micro-political interplay. Following Becker- Ritterspach et al. (2017), in such circumstances, the various represented parties, including 'home' and 'host' country actors, are engaging in forms of 'institutional entrepreneurship' in order to uphold and further their positions, in particularly volatile and shifting contexts. The observer at the 'grass roots' of such international organization is therefore exposed to a kaleidoscopic effect of power- playing as, drawing on the work of Bourdieu (1990a, 1990b, 1998), various forms of 'capital', including economic, social and linguistic are withheld or exchanged in order to secure or optimise vested interests within the organizational field.

This article proceeds by, firstly, considering the evolving geography of operations in the pharmaceutical industry, it then offers a critical overview of the social construction of international sourcing from a 'home' and 'host' country perspective and finally, against this background, the China R&D case study is both exposed and discussed.

Global Shift in the Pharmaceuticals Sector

The pharmaceuticals sector may be regarded as being at the forefront of innovative global economy, epitomizing 'knowledge based' industry and being dominated by a relatively small number of western owned, household name, MNCs. In a highly competitive environment, a premium is being placed upon 'fast tracking' medical discovery, which, in a recent phase of internationalization, has led 'Pharma' companies to source the emerging reservoirs of talent possessed by qualified scientists in China and India for 'cost effective' R&D advancements. From the perspective of these emerging economies, the shift from 'making' of commodities to 'discovery' and scientific breakthrough, potentially heralds the start of their ascent of corporate value chains.

While the pharmaceuticals sector in China is realising the opportunities associated with a burgeoning domestic market in the post reform era, it has also become a beneficiary of the 'blossoming of the process of globalization of research and development' (Thomas, 2008: 1) through which the geography of innovation appears to have been subject to fundamental alteration. Accompanying the growth of indigenous large and innovative pharmaceutical companies in China has been the establishment of R&D based corporations (Shen, 2006). Indeed, it is evident that the People's Republic of China government has been engaged in policy making designed to favour the position of large domestic enterprises and research based MNCs.

As the local climate has become more favourable to corporate pharmaceuticals, so clusters of renowned 'pharma' or biotechnological corporations have spawned, typically in modern industrial parks on the outskirts of large Chinese cities, notably Shanghai, Beijing and Shenzhen. Zhou (2007) reports that global companies present in China include Novo Nordisk, AstraZeneca, Eli Lilly, Roche, GlaxoSmithKline and Pfizer. According to Thomas (2008) the major factor that has triggered the new

wave of investments has been the large supply of highly skilled scientists and professionals available at relatively low cost. Further facilitators for inward investment include: (1) cost - effective availability of raw materials, energy and other auxiliary facilities; (2) tax concessions - including exemption from income tax for two years for Sino-foreign or wholly foreign owned ventures with an operation period of over ten years; (3) a streamlined approval process for new therapeutics taking from five to eight years in China compared to eight to ten years in the United States (Zhou, 2007).

The shift in pharmaceutical R&D eastwards has been significantly influenced by reservoirs of available talent. The People's Republic governmental commitment to fostering indigenous scientific expertise is well reflected in the level of enrolment to tertiary technical institutions, which now exceeds the equivalent figure in the United States. Zhou (2007) reports that Chinese Universities have trained around 100,000 biotechnical researchers over the past two decades, with 20,000 students graduating each year in biological related fields. It is also significant to observe that the Government is a major financial supporter of science and technology enterprises, around one quarter of their funding deriving from the state over the past decade (Ministry of Science and Technology of the People's Republic of China, 2011).

Essential to the modernization of pharmaceutical R&D in China are hai gui, or western trained Chinese returnees. Around one third of the 300,000 overseas Chinese students are currently enrolled on biology programmes (Zhou,2007), and 'reverse migration' is being recognised as a useful device to stimulate high technology entrepreneurship at home (Thomas, 2008). As Zhou (2007) points out, many Chinese pharmaceutical companies and biotechnological research institutes are founded and directed by hai gui. Such individuals have frequently resided overseas for long periods, having acquired significant commercial experience and being exposed to 'state of the art' commercial and research technologies. Indeed, the process of modernization of pharmaceutical development in China tends to mirror that which has been observed in other emerging economies, including India. Kale (2010), observes that, in India, innovative capabilities have been built through the hiring of Indian scientists working overseas, who have been charged with the task of diffusing advanced knowledge within internal corporate structures.

The emergence of China as a vital centre for pharmaceutical R&D has been welcomed by many inside and outside its borders, yet others have sounded a more salutary note. Lardy (2002) and Steinfeld (2004) assert that, even in respect of high technology firms, Chinese integration into the global economy has been relatively shallow. Following Thomas (2008), as global manufacturing processes have been subject to 'modularization' and dispersal across global regions, Chinese firms have gained weak advantages on the basis of low costs and high volumes. This author further contends that the pharmaceuticals industry continues to be controlled by a small number of MNCs which have headquarters in the developed world. As a related concern, with significant ethical implications, the MNCs undertaking R&D in China tended to be concentrating on 'higher end' and 'lifestyle' related medical products, benefiting primarily the emerging Chinese middle class and users in advanced economies. Pharmaceutical research procedures which have proven highly sensitive in western countries, including stem cell and animal testing, are occurring in China, albeit subject to an equivalent regulatory framework as is present in the United States and other western countries.

Deconstructing Global Value Chains; Ethnocentricity and performativity

It may be tempting to assume that the inception of the 'network' form of international organizational configuration, involving the 'modularization' of productive and service providing platforms (Dicken,2011, Berger, 2006) , as is occurring in the pharmaceuticals industry, is promoting an equalization of status of organizational stakeholders spanning developed and developing regions

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3 in conditions of 'world flatness'. (Friedman,2006). Yet critical works drawn from the domain of
4 political economy which deconstruct the operations of GVCs reveal that, as with more conventional
5 forms of international organization, they are subject to international social construction and power
6 asymmetry. As Taylor (2008) points out 'lead firms seek to control market access, shape the
7 technical organization of production and influence the distribution of costs associated with relative
8 production stages so as to maximise their control over the appropriation of value across the chain as
9 a whole' (Taylor, 2008, 16). Accordingly 'higher value' creative functions tending to be retained in
10 the advanced country of origin, and more routine operations increasingly being devolved to
11 subsidiaries in the developing and emerging world. Following Taylor (2008d), GVC analysts have
12 been prone to envisage labour rather as a passive and homogenous 'input'. What is overlooked in
13 such an analysis is a recognition that the establishment of global networks of firms is preceded by
14 pre-existing social relationships within such firms which serve to predispose them towards network
15 participation. Indeed, as Taylor (2008, 18) argues,

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19 'Production is an infinitely more complex social process than a focus on inter-firm networks would
20 indicate. It involves not just the production of materials and goods, but also the simultaneous
21 reproduction of workforces constructed and utilised within particular social institutions and power
22 relations – a process that exists at multiple social levels, including within firms, within the larger
23 society, and within the context of the reproduction of profitability on a global level'.

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25 Reinforcing such an observation, Levy (2008) asserts that the related phenomenon of the Global
26 Production Network (GPN), far from being merely 'transactional' in nature as has sometimes been
27 assumed within mainstream economic analysis, is integrated into the wider economic, political and
28 discursive environments in which market and political power are closely interrelated. Accordingly, a
29 transnational capitalist class dominate the structuring of GPNs, while weaker groups have to consent
30 to participate. Similarly, Bair (2005) contends that closer attention to the institutional and structural
31 systems in which GVCs are embedded is prone to reveal social and developmental unevenness
32 within contemporary capitalism.

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35 A distinguishing feature of the GVC, particularly in knowledge based sectors of the global economy,
36 is the strategic requirement to leverage reservoirs of scarce skills and talent increasingly available for
37 harvesting in the emerging economies. In consequence, a dialectical strategic orientation is
38 frequently discernible on the part of the inward investing international concern, on the one hand
39 seeking to extract surplus value from its network through the exploitation of distant labour
40 resources in a cost effective fashion, and, on the other, engendering the 'empowerment' of such
41 resources, at least at a rhetorical level, in order to secure their commitment to the enterprise and to
42 secure high levels of productivity and innovation. In a study of the offshoring of software
43 development from western based companies to India, Upadhya (2009), for example, exposes the
44 deployment of a range of 'soft capitalist' techniques, including the extension of brand symbolism
45 and the international transfer of sophisticated 'human resource management' techniques designed
46 to systematically upgrade the performance potential of overseas knowledge workers.

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49 The discourse of 'ethnocentricity' has resounded in the international management literature, this
50 frequently being associated with the creation of dominant and subservient fields in the international
51 enterprise, HQ (or parent) based policies and practices, and the agency associated with them,
52 acquiring supremacy over their equivalents in the subsidiary. Such analysis has frequently been at
53 the level of structure, strategy or process (see, for example, Perlmutter, 1969) and has paid scant
54 attention to the actual 'states of mind' of home and host country human actors. In seeking to gain
55 more nuanced theoretical purchase on the social fields which are prone to emerge in the modern
56 international enterprise, and to consider how these are a product of underlying power asymmetries,

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3 it is instructive to look beyond purely structural notions of policy interplay between 'parent' and
4 'subsidiary' and to consider 'softer' manifestations of ethnocentricity through which rhetorical and
5 linguistic devices are deployed to 'brand' or 'package' the fruits of overseas knowledge work for
6 western marketing and consumption.
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8 Within the ethnocentric organizational form, as a product of language and language differences,
9 certain discourses are bound to emerge as being predominant, this being associated with processes
10 of inclusion and exclusion (Brannen et al, 2014; Tietze, 2008). It is virtually undeniable that English
11 now constitutes the lingua franca of the international business community. Accordingly,
12 transnational and cosmopolitan elites of educated and English speaking executives from the country
13 of origin tend to populate the senior ranks of such companies both at home and abroad. (Bargiela-
14 Chiappini, 2003) while other ethnicities represented within the corporation may attempt to converse
15 in the lingua franca for reasons of convenience and cultural conformity (Bloch and Starks, 1999).
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18 The global spread of English is ideologically inextricable from the values and rhetoric associated with
19 global capitalism and neo- liberal economics, and correspondingly has acquired the status of a
20 hegemonic linguistic force (Philipson, 1992, Pennycook, 1994). Emergent neo- colonial perspectives
21 on the international enterprise (Boussebaa, 2015, Boussebaa, Morgan and Sturdy, 2012, Boussebaa,
22 Sinha and Gabriel, 2014) are discovering that the English language, in its articulation amongst a
23 cosmopolitan class of international business people, serves to create a 'buzz' around contemporary
24 business agendas, empowering those 'in the know' while marginalising those diverse groupings
25 prone to perceive and interpret Anglo/ American deliberations in a more dissonant fashion. As the
26 linguistic vehicle for the global transmission of managerial thinking and practice as expounded in the
27 West, English 'management- speak' has been regarded as 'the master discourse of modernity'
28 (Brighton, 2002). As such, its dissemination by the transnational business class, has been textually
29 underpinned by the vocabularies relating to the distribution and redistribution of power , the push
30 to 'performativity' and a preoccupation with image, branding, values and 'vision'. It has been further
31 recognised that language does not merely shape 'real worlds', but also that it is expressive of
32 knowledge and power as expressed in such worlds (Legge, 2005; Townley, 1994).
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36 While language issues have only recently gained prominence in critical discussion on international
37 business, in international ventures such as the one which forms the empirical focal point for this
38 study, and where English is the lingua franca, language proficiency is prone to reproduce 'glass
39 ceilings' at the level of the enterprise, and is inextricably associated with conflicting 'social spaces'. It
40 is arguably at the level of the shop floor that western modernist managerial values and practices are
41 likely to clash with entrenched Chinese normative frames with greatest vigour, this potentially
42 promoting resistance amongst local workers.
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45 **Local logics and context**

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47 Tian, (2007) suggests that, despite some modernist shifts in the mind-set of the Chinese rank and
48 file, Confucian values continue to hold sway, these encompassing moral cultivation, family and
49 interpersonal relationships, respect for age and authority and face (dignity or self- esteem). Fu and
50 Kamenou (2011), in a quite rare empirical study of the reaction of Chinese workers to the imposition
51 of HRM practices, finds that embedded moral convictions based upon Confucianism and related
52 teachings tend to have the effect of subverting the imposition of westernized policies, casting a
53 'Chinese Cultural Shadow' over the China based international enterprise. Citing the example of the
54 introduction of performance appraisal, it is revealed that local managers use 'the art of leadership'
55 to avoid arriving at forced distributions in team performance ratings, which could potentially be at
56 the expense of group harmony. It is also found that Chinese workers tend to possess an innate
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3 aversion to the plethora of rules and procedures applied in the fields of, for example, recruitment,
4 reward management and training. Faure and Fang (2008) similarly assert that Confucian moral
5 thinking engenders a deeply held conviction that behavioural standards can be influenced by self-
6 regulating moral mechanisms, and that the country should be regulated by the rule of 'man' rather
7 than the rule of law, while Hofstede and Bond (1988) maintain that, in China, there is a belief that
8 laws exist to be circumvented, this representing a potent cultural counterpoint to 'rationalistic'
9 modes of western thinking.
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12 There has been recent expression of scholarly concern that the socially constructed position of 'host
13 country nationals' (HCNs) has been subject to neglect in general, having been invariably superseded
14 by analyses and stories of headquarters and its expatriate agents (Yan and Seidel, 2013, Choi and
15 Chen, 2007). Reflecting the seminal assertion of Kostova and Roth (2002) that MNCs confront
16 countervailing institutional 'pulls' from their home and host environments, this contributing to a
17 sense of 'institutional duality', (Kostova, 1999, Kostova and Zaheer, 1999, Vora and Kostova, 2007),
18 HCNs typically manifest a dual social identity formulation, being influenced by, on one hand,
19 cognitive factors and stimuli emanating from the local socio- political environment and, on the
20 other, with the values and norms being disseminated through the MNC and its global organization.
21 This point is re-affirmed by Caprar (2011; 611) who states that 'the emergent negotiated work
22 culture will be the result of a process in which the assumptions, values and normative orientations
23 imparted from the home and host culture are selected by HCNs as guided by structural and
24 contextual influences while they interact with expatriates and other HCNs within the organization'.
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28 It should be borne in mind, with particular reference to emerging economies, that the
29 environmental circumstances in which HCNs are embedded are not static, but rather subject to
30 continuous flux and transformation. Following Yan and Seidel (2013) and Chen et al (2002), a holistic
31 understanding of self -perceptions and feelings of worth of the managerial and professional classes
32 in China may only be gained by empathizing with the cognitive effects of their exposure to the
33 hybridized and contradictory 'socialist- market' model since the late 1970s. As Chen et al (2002)
34 suggest, the exposure of professional groupings in China to inward investing MNCs and related cross
35 national interactions since the 'Open Door' policy was incepted has tended to bolster their
36 subjective feelings of self -worth, permitting local and global orientation in their aspired career
37 trajectories and choice of social referents.
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41 Yan and Seidel (2013) reveal that successive generations of Chinese knowledge workers have
42 attached varying degrees of legitimacy to capitalistic influences over the decades following market
43 liberalization. In the early period, the influence of western owned corporations operating on Chinese
44 soil was frequently regarded in positive terms, and MNCs imbued a sense of 'cosmopolitanism'
45 amongst indigenous employees, offering much sought after individualized career paths and
46 meritocratic reward system. However, in recent years a new generation of Chinese workers has
47 come to the fore, born in the 1980s, which did not experience the early years of reform. Referred to
48 as the 'individualistic' or 'spoilt' generation, this group exhibit a predominantly opportunistic
49 approach to work, aiming for quick success. Steeped in the a new hybrid version of capitalism, and
50 with the promise pending of establishing a distinctive form of Chinese market economy, this
51 generation is prone to utilise employment in western MNCs only as a stepping stone to more
52 productive and sustained career advancement in Chinese privately owned companies, or possibly
53 state owned enterprises. From the perspective of these 'opportunistic' generation workers,
54 western owned MNCs operating in China offer limited advancement opportunities as expatriates, or
55 similar extraneous managerial parties, are seen to monopolise the upper echelons of enterprises,
56 thereby presenting an ethnically (and frequently linguistically defined) 'glass ceiling'. Furthermore,
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3 the youthful generation of workers in China appear to be greeting the flow of western FDI into China
4 with a degree of scepticism, believing that such investments, and the behaviour of the human agents
5 associated with them, are based upon primarily instrumental and exploitative rationalities. In
6 response, Chinese HCNs are thought to be 'mirroring' the perceived behaviours of western investors
7 in China by adopting a ruthlessly tactical and pragmatic orientation to work in western owned MNCs.
8 (Yan and Seidel, 2013. The decline in the 'role model' status of western MNCs in China is well
9 captured in a recent survey of the Manpower group, which reveals that 60% of management level
10 employees would now prefer to work in Chinese privately, or state, owned enterprise as opposed to
11 an inward investing MNC (Waldmeir, 2011).

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14 Perhaps unsurprisingly it is in the area of pay and reward that a high level of sensitivity is evident as
15 Chinese HCNs draw upon both internal corporate and external contextual reference points to
16 establish notions of fairness. Laden with powerful symbolism regarding personal worth, the
17 commonly observed two- tier pay structures which privilege expatriates at the expense of locals in
18 western owned MNCs operating in emerging economies, are likely to be associated with poor
19 commitment and high tendency to quit on the part of locals, and to reinforce the social lines at the
20 workplace separating 'in groups' from 'out groups'. (Leung, Zhu and Ge, 2009). Paradoxically,
21 however, it is when HCNs experience specific distributive events which appear to unfairly favour
22 those who are closest to them (possibly in terms of race, gender or functional activity) that negative
23 perceptions of the reward system, and associated feelings of inequity are likely to have their most
24 deleterious consequences (Choi and Chen, 2007) .

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27 Such observations resonate with an emergent 'conflictual practice' view of international
28 organization, perhaps most evident in developing economies, as exemplified by a recent case study
29 of the tensions between major actors in a Mexican enterprise. Drawing on the work of Bourdieu,
30 Klitmoeller and Bjerregaard (2016) consider how the social positioning of social agents within and
31 outside the organization in question, in conjunction with respective career opportunities,
32 determines intra- unit conflicts. These authors utilise the notion of 'habitus' to explain how white
33 collar fare better than blue collar workers in asserting status as a product of their superior access to
34 socio- economic and cultural capital.

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37 In the case study below we engage in 'close and bottom up' analysis of the social lines being drawn,
38 accentuated and contested at the fledgling pharmaceutical R&D facility in Shanghai, China. During
39 the course of our fieldwork we were privy to the 'stories' of expatriates and returnees, and we
40 gained insight, through indirect sources, into the experiences of host country knowledge workers. In
41 undertaking the case study investigation, core research questions to be addressed were (1) how was
42 the micro-political environment at the enterprise subject to segmentation? (2) What capitals were
43 being deployed by the various international contingents in order to optimise their positions? (3) How
44 were conflictual forms of practice manifested?
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48 49 **China R&D case study**

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51 During June 2011, the author of this paper and a UK based research associate visited the Shanghai
52 based research and development facility (China R&D)* of a major Western owned pharmaceutical
53 concern (PharmaCo)* in order to carry out fieldwork. The centre was located in an industrial park on
54 the outskirts of the city, in which the counterpart sites of a number of leading pharmaceutical
55 corporations were clustered. Access was gained to the research site through insider contacts
56 nurtured through teaching and research activities at our home University who had previously
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3 enjoyed close working relationships with the corporation in question. We were aware that the
4 access we enjoyed was privileged as it has been observed that conducting fieldwork in China
5 presents serious challenges to researchers as the Peoples' Republic is frequently regarded as a 'low
6 trust' context, with organizational entry (given the prevalence of guanxi- or informal networks which
7 proliferate in China – see for example Story, 2010) needing to be facilitated and maintained by
8 'insiders' (Nojonen, 2004). During the course of the empirical investigation, we conducted in depth
9 semi-structured interviews with (1) three senior expatriate managers who assumed primary
10 responsibility for the formulation and implementation of 'human resource' policies at the site, (2)
11 eight Chinese national middle/senior level scientists and managers who had returned to the China
12 R&D site after having been fully employed by PharmaCo in its US, or other western, facilities. This
13 second grouping therefore constituted pharmaceutical hai gui, colourfully referred to by the locals
14 as 'sea turtles' (as creatures which have swum out to sea only to return to land). We were not
15 permitted by the company to interview representatives from the ranks of local bench scientists.
16 However we were able to observe their work and working conditions in laboratories, and to build an
17 informed picture of their terms and conditions of employment through consultancy reports, web
18 sites, journal articles and the vicarious commentaries of both expatriates and returnees. It is
19 significant to note that our interviews were conducted in English, thus eliciting an exposition from
20 interviewees which was subject to western discursive interpretation and understanding, although
21 we were concerned throughout our empirical investigations to hear the unabridged and candid
22 stories of the participants in our study.
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27 While the expatriate managers contributing to our fieldwork had no objections to their interviews
28 being recorded and transcribed, the Chinese national participants insisted, for reasons of
29 confidentiality and privacy, that their interviews should not be recorded. Instead, the researchers
30 were able to take extensive notes during the course of these conversations. Indeed, in
31 methodological terms, this approach to data collection proved to be unexpectedly fruitful, as the
32 'hai gui' participants in our study appeared to relish the opportunity to share candid reflections
33 concerning the progress of the enterprise with reliable 'outsiders'. The sample group was balanced
34 in terms of gender. Reflecting the overall profile of the establishment, the age distribution of the
35 sample was relatively skewed towards younger participants, most interviewees being under the age
36 of 40. The individuals we interviewed possessed varying lengths of service at China R&D.
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39 Following Czarniawska (2004), who strongly advocates the re- introduction of narrative knowledge
40 into the social sciences, we allow the 'voices of the field' to recount their stories and observations in
41 unexpurgated fashion. Following a brief exposition of the case study scenario, which is compiled
42 from the more factual explanations offered by the participants in the study, we go on to capture the
43 personal 'stories' of expatriates and returnees which refer to critical incidents and notable
44 organizational events they have experienced over the period of operation of China R&D
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47 **Inception, growth and mission**

48 The origins of R&D China may be traced back to late 2005, when the board of PharmaCo decided to
49 establish an 'end to end', fully integrated, custom built R&D facility in an emerging economy. The
50 field of clinical specialization in which China R&D is engaged is regarded as particularly challenging
51 within the pharmaceuticals sector and therefore potential risks and rewards associated with
52 breakthrough are significant.
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55 An intriguing and unique facet of the local culture for medical research in China is the continuing
56 recognition of the value and potency of Traditional Chinese Medicine (TCM). Treatments associated
57 with this rich medical legacy have been practiced for thousands of years and have provided
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3 alternative curative approaches in the West. In driving its agenda towards 'discovering' and away
4 from 'making' (medical compounds), China R&D has taken the innovative step of using western
5 medical theory and techniques to modernise TCM remedies in the laboratory. A strategic premium
6 has therefore been placed on incorporating local medical networks (embracing local universities and
7 research institutes) into the enterprise through capitalizing on the informal systems of guanxi which
8 permeate all forms of organizational life in China. The hybridized approach to medical discovery has
9 therefore been accompanied by a hybridized staffing model at the 'grass roots' of the enterprise,
10 combining the expertise and tacit knowledge possessed by Eastern and Western cohorts in a
11 meaningful operational sense.
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14 Indeed such a distinctive approach towards medical discovery has necessitated the combination of
15 staffing and knowledge resources from East and West throughout the enterprise. At most senior
16 level, the Chair of China R&D is a leading pharmacist in the field, having originated from Shanghai,
17 and enjoying strong relationships with local prominent scientific and governmental institutions. The
18 staffing of China R&D essentially consists of Western nationals and Chinese returnees at higher
19 management level, returnees and locals at lower management level, and pure locals as scientists. In
20 terms of ethnicity, the entire workforce comprised approximately one third US/ western nationality
21 and two thirds Chinese. Turning to the recruitment and composition of 'bench' scientists, it was
22 reported that there was little difficulty in attracting local and high quality reserves of scientific
23 talent, through tapping into the reservoir of doctoral graduates in the labour market. Virtually all
24 recruits were young (under 30 years) and comprised both men and women. Such laboratory
25 scientists were required to serve a three month probation period and were then employed on the
26 basis of three year renewable contracts. Over its period of operation the facility has grown
27 considerably, employing 500 staff by 2011. Although no significant scientific breakthroughs have yet
28 been made, R&D scientists at the site have succeeded in publishing scientific results achieved to date
29 in leading medical journals.
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34 35 **The expatriates' story**

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37 The stories of the expatriate participants (Expat 1, 2 and 3) in our study, each of whom has played a
38 highly significant role in the start- up of R&D China, offer nuanced insight into an ethnocentric view
39 of the China- based facility. All of the expatriates were of Anglo- American (Caucasian) descent and
40 native English speakers (with little or no grasp of Mandarin). The western participants conveyed to
41 us that the corporate intention at the time of start- up had been to introduce western style HRM and
42 employment relations practices at the site in an unexpurgated fashion. Indeed, according to Expat 2,
43 the entire facility was subject to 'design' from the Centre. The practices in question constituted the
44 'typical' portfolio of policies and practices in recruitment, training, pay, performance management,
45 communications and employee participation. However, the western expatriates soon realised that
46 their designs for an 'HRM' initiated programme of organizational change were doomed to fail on
47 every front. One of our western interviewees referred to a culture of the 'Wild East' (Expat 3) in
48 China in which the rule of law was subverted and 'word of mouth' as local networks prevailed. It was
49 observed that the contract of employment was a 'mere fiction'. So, for example, formal approaches
50 to recruitment were replaced by with the co-option of local associates through networks. The
51 intended performance management system reportedly came to resemble a 'shell' in which line
52 managers 'went through the rituals' of appraisal but failed to arrive at any meaningful measurement
53 or judgement concerning the contribution of subordinates. In the area of pay and reward, the
54 western expatriates were at pains to make presentations to their Chinese counterparts on the merits
55 of assimilating compensation and pay data as a rational basis for formulating pay systems at the
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3 enterprise, but reported that the latter group 'glazed over' on receiving this information. A similar
4 apathetic response was forthcoming when the western management team sought to introduce a
5 system of 'benchmarking' for job evaluation. One of the senior western HR team confided that 'if a
6 more coercive approach had been taken to introducing the HR policies desired by HQ, then their
7 implementation may have been effective'. However, in the circumstances, the western team sought
8 to gain commitment to change with the support of senior Chinese leadership at the site. While the
9 Chinese board members responded in a cordial and polite fashion to 'overtures' concerning the
10 introduction of western inspired, 'performance orientated' managerial initiatives, in practice it
11 became evident that former group had little real faith in such measures. In summary, the westerners
12 felt that they were continually encountering passive resistance at the China site, this leaving them
13 with feelings of 'isolation, loneliness and even paranoia' (Expat 1).
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17 The benefits of English proficiency amongst senior Chinese counterparts at R&D China continued to
18 be realised as the site moved onto an operational footing, with meetings at senior and board level,
19 and all official written and verbal communications, being conducted in the corporate lingua franca.
20 However, the western interviewees were rather disconcerted when senior Chinese counterparts
21 'went into a huddle' during breaks in meetings and started 'laughing and joking in Mandarin' (Expat
22 2). At first this behaviour was regarded as being innocuous, however, as the Chinese side
23 increasingly began to deviate from agreements in practice, the Mandarin- only deliberations began
24 to be interpreted as being potentially subversive, and as asserting a 'symbol of independence'.
25 Accordingly, the western participants took the view that their Chinese counterparts were, in fact,
26 involved in two agendas. On one hand, 'official' deliberations, reinforcing western perceptions of the
27 enterprise, were conducted in English, while 'in group' exchanges in Mandarin provided the linguistic
28 'casings' for guanxi based insider dealings, and tended to cut across the formally designed
29 organizational hierarchy. Reflecting on her experience of being an expatriate in China, one of our
30 respondents stating 'It's tough, very tough, and the Centre doesn't understand the realities of living
31 and working in China'.
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34 35 **The Returnees' story**

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37 From the perspective of the Chinese 'bicultural' managers and scientists who contributed to the
38 study (returnees (R) 1-8) the Shanghai environment to which they had returned was 'vibrant and
39 exciting' (R1). According to another (R2) 'people had a hunger for innovation and a better life.
40 Shanghai attracts so many talents, including foreigners, and clustering of expertise occurs. In the
41 company, scientists are enticed by the idea of 'making history'.
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44 According to another participant (R3) 'I was initially shocked when I returned, but I caught up,
45 because the environment is contagious'. The returnees were unanimous in their conviction that the
46 Chinese government had been instrumental in facilitating new business incubation, at local and
47 national levels, since the inception of the 'Open Door' policy over three decades ago. According to
48 R4 the government had been pro-active in pushing science and innovation. 'It has happened because
49 of government. There is also a huge demand for medical products due to the population size and
50 increasingly life expectancy'. R5 observed related cultural changes amongst the Chinese population
51 'There are now significant differences in the way people talk. In particular, the young generation is
52 strongly influenced by the West'.
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55 The returnees were in position to draw contrasts between the business contexts, and work ethos, in
56 'West' and 'East'. There was a feeling that western approaches were 'over-functionalised' and
57 operated at the expense of innovation, with energy levels being lower in the US than in China. One
58 China based scientist commented that there was a 'need to think outside the box' which was not
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3 assisted by an over emphasis on 'proceduralism' in the US, and that the western HQ was out of
4 touch with the realities of doing business in China. R6 referred to a 'sense of urgency' which gripped
5 Chinese compatriot knowledge workers, whilst it was also observed that 'you need to love your
6 work, and inhabit a culture in which there is little or separation between professional and personal
7 life'. (R7)
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10 Despite their recent socialisation within the norms of the US and western business contexts, it
11 became evident during the course of interviews that the 'hearts' of the returnees still belonged in
12 China. Referring to the values which inspired them in their potentially ground-breaking scientific
13 pursuits, one senior Chinese returnee (R3) informed us that she and her compatriot colleagues had
14 been guided by the charismatic senior Chinese chairman of R&D China who sought to galvanize
15 managers and scientists at the enterprise by proselytising the ancient symbol 'WIN' (赢). The symbol
16 comprises the following roughly interpreted, sub-components: death (always realise dangers and
17 risks); mouth (the importance of communicating, listening and persuading); shell (the significance of
18 financial and human capital, channels of communication and networking); the moon/month (the
19 importance of timing/strategy); the ordinary (humility, being calm about success, the significance of
20 routine and mundane activities). R4 re-iterated the saying, which held sway in the enterprise, 'you
21 want to teach people to fish, not feed them fish'. Such culturally specific expressions of belief,
22 impacting profoundly upon motivational values within the establishment, by implication
23 contradicted the more rationalistic and 'performative' motivational systems which the 'westerners'
24 sought to assert, which were perceived by the Chinese nationals as being unnecessarily constraining
25 and rule bound.
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30 Nevertheless, in reflecting upon their own roles within China R&D, the returnees felt that they were
31 primarily responsible for dissemination and transfer of the advanced knowledge they had acquired
32 in the West within the enterprise. The returnees believed that, although new discoveries would be
33 made by local scientists, managerial and strategic skills were lacking amongst the latter grouping.
34 According to R7 'Sea turtles want to pass on all their knowledge and young people want to learn'. It
35 was realised, however, that 'culture' and 'fairness' acted as divisive factors, separating the ethnic
36 returnees from their bench scientist compatriots in terms of status. Not only were salary levels for
37 the bi-cultural group significantly higher than those applying to the laboratory workers, but also the
38 'sea turtles' were entitled to exclusive health and housing benefits. Moreover, according to R8
39 'Foreigners and returnees have (English) language advantage. The locals, even PhDs, have problems
40 with language proficiency, so their visibility in the company is low'. It was observed by R3 that 'Asian
41 culture is regarded as more conservative. The bench scientists are not comfortable with expressing
42 their views, or even asking for help. The returnees have worked abroad and have therefore
43 overcome some of these cultural difficulties'.
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48 Referring to personal challenges they confronted on a day to day basis, the returnees, despite their
49 apparently privileged status within the enterprise, reflected upon the 'shock' (R5) they had
50 experienced when coming back home. According to R3, they had very limited exposure to society
51 and were not living a typical Chinese life. On the positive side, it was asserted (R7) that working in an
52 MNC offered a form of 'protection' as ethical compliance was taken seriously and high standards of
53 behaviour expected. A number of returnees expressed a need to 'de-learn' knowledge acquired in
54 the US in the more fast moving and volatile Chinese contest. While experiences gained in the US
55 provided insight into 'state of the art' science and management, associated professional principles
56 were tinged with bureaucracy and now needed to be fundamentally readjusted (R3).
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3 Having worked in the West, and in China, the returnees were well placed to offer an overarching
4 view on the current status of the pharmaceutical industry as it responds to rapidly changing global
5 circumstances, and shifts productive activity to China and India. According to R3, 'The environment
6 has changed a lot. There is a new balance of socialism and capitalism'. We need to take advantage of
7 both sides. Socialism has strong government and capitalism' is good for business. Other participants
8 were more sanguine in their global outlook. According to R7, 'Globalisation is not the only solution.
9 Coming to China is not the answer. We need to return to equilibrium. The pharma model is not
10 sustainable. The East may not be as good as people think'. R3 believed that 'locals will be the future
11 leaders at all levels in China', whilst R8 asserted 'why not do something different. If it doesn't work
12 we have nothing to lose!'

15 **The workers' story**

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17 While we were able to observe the workers in their laboratory setting, we were not permitted by
18 Pharma Co senior management to hear their stories directly, but were nevertheless able to build a
19 picture of their employment from the statements of other interviewees and from contemporary
20 secondary sources. The majority were highly educated (having gained doctorates from local scientific
21 establishments), and, as most were in their twenties, could be categorized as members of the
22 'individualistic' generation as defined above. Despite their high levels of scientific expertise, few of
23 the scientists, however, were able to converse in English.

24
25 We learned that obtaining employment at China R&D was regarded as privilege by the workers
26 themselves and by their families. The marketability and status of the workers in question was borne
27 out by statistics provided by the management consultancy Hewitt (2010) that average annual
28 turnover for this staff grouping is in the region of 16%. In general, there was satisfaction with
29 conditions of employment at the laboratory, although issues of contention for the workers included
30 relatively long shift patterns accompanied by pressure to achieve scientific breakthrough, as well as
31 the division of the workforce into competitive scientific teams which faced the prospect of being
32 disbanded if they failed to deliver results.

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34 During the course of our visit, however, we were informed that the scientists had staged a unilateral
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47 **Discussion**

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49 Through this study of a hybridized international R&D venture in China, we were able to discern
50 contradictory logics contributing to micro- political dysfunction, as well as examples of synergistic
51 and creative behaviour, as the enterprise strove for exploration and discovery in a highly volatile
52 setting. In keeping with the theorization of Bourdieu (1990a, 1990b, 1998), it was possible to
53 observe that the constituent groupings represented in the study were mobilising reserves of socio-
54 economic and cultural capital in order to optimise their social positioning within the enterprise
55 (Klitmoeller and Bjerregaard, 2016, Delmestri and Brumana, 2017 forthcoming)

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3 The expatriates were ostensibly in a dominant position, monopolising the reserves of various forms
4 of capital, including that of a linguistic nature, which were most highly prized by an ethnocentrically
5 orientated western enterprise. Yet, as they traversed wide institutional distance, this grouping found
6 that the currency of such capital became alarmingly diminished, and their position of power
7 neutralised by the potent counter assertion of Chinese vested interest. While such local resistance
8 was passive in form, it constituted an unbreakable 'shell', embodying years of shared accumulation
9 of Chinese organizational behaviour and motivational philosophy. Reinforcing the outer casing of
10 this shell was the practice of the Chinese contingent at the enterprise to converse tactically in the
11 unofficial enterprise language of Mandarin, which rendered the expatriate grouping as a rather
12 helpless 'out group'. At least for the expatriates, an 'escape route' existed through the possibility of
13 return to the regional nerve centres of western capitalism.
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17 Turning to the field occupied by local scientists, we may observe that the lines surrounding their
18 territory were subject to subtle shift and evolution. The social, economic and cultural capital
19 possessed by this grouping is exclusively local, yet highly prized, in its currency. From the perspective
20 of these indigenous Chinese knowledge workers, such capital is subject to appreciation as the
21 'socialist market' model continues to mature, and their skills and expertise become reputable as
22 calibrated by vital indigenous Chinese, as opposed to externally imposed, western standards. Within
23 the context of the particular enterprise, therefore, this elite group of young Chinese scientists is
24 understandably aggrieved by the imposition of an ethnocentric 'glass ceiling' above which the capital
25 they possess is subject to devaluation and diminution. It is understandable that this new breed of
26 ambitious Chinese professionals is co-habiting the enterprise in a state of passive resistance as alien
27 motivational practices are transferred into their territory from western headquarters. However, the
28 flashpoint in the eyes of the HCNs occurred when the ethnically identical and operationally
29 proximate, returnee grouping were privileged by the corporation merely as a result of their previous
30 exposure to western business and scientific knowledge and through the sharing of linguistic, social
31 and economic capital with the expatriate class. The new generation of 'go-getting' Chinese
32 professionals no longer possesses intuitive identification with the transcendent status of
33 westernized practices and values, indeed these now seem to be perceived in highly dissonant terms.
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37 Finally, the ethnic returnees, or 'sea turtles', in theory, occupied a pivotal position in the enterprise
38 through their ability to combine 'Eastern' and 'Western' forms of capital. They had been deployed to
39 constitute a human 'bridge' which offered normative and operational integration across the
40 institutional poles internalised by the international enterprise. In practice, however, this privileged
41 group found itself in a rather precarious position. It became evident that the returnees were
42 responsible in a formal sense for the dissemination of western norms, values and managerial
43 techniques into the China based enterprise, but believing, at a deeper level, in the inspirational
44 effects of traditional Chinese teachings and indigenous organizational artefacts. Existing in a
45 transnational and rarefied social space, it may be argued that, despite their elite status within the
46 enterprise, this group were perhaps encountering some of the alienating factors associated with
47 Bourdieu's 'transfuges' or displaced migrants.
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50 Observing the China based enterprise in its entirety, therefore, the delineation of social lines in the
51 field presents a complex and ambiguous configuration. In various parts of the organization at micro-
52 level, these social divisions appear to be entrenched, separating, for example, the Caucasian
53 expatriates from the combined Chinese ethnic cohort represented within the enterprise. Elsewhere,
54 lines can be perceived to intersect through ethnic groupings, most notably when the local scientists
55 took industrial action in protest against the superior conditions enjoyed by the returnees. Such
56 divisions are also subject to flux and fluidity as, for example, the local Chinese scientists become
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3 more confident of their self-worth in the light of the maturation of Chinese socio-economic
4 circumstances and 'push their lines' to encroach upon the previously protected western social
5 spaces. While, therefore, home and host country influences continue to combine and conflict within
6 the organizational milieu of the MNC, it is evident that these influences are subject to mediation and
7 negotiation through a triangulated order of agency, with ethnicity, language and power constituting
8 vital intervening variables.
9

10 **Conclusion**

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12 This case study captures a modernistic and fluid organizational form operating in an institutionally
13 uncertain setting. As Becker-Ritterspach et al, (2017) assert, the opportunities for western investors
14 in emerging economies are potentially great, yet, on the 'flip side', significant challenges exist in the
15 reproduction of suitable capabilities and competences where complementarities cannot be taken for
16 granted in the host institutional environment. In the current case, it may be observed that
17 establishing an R&D site in China represented something of a leap into the institutional and cultural
18 unknown for the western based pharmaceutical corporation. As a consequence it may be surmised
19 that an agenda of ethnocentricity was asserted with considerable vigour as a risk aversion strategy
20 adopted by the HQ. The study therefore invokes the potency of global elites in formulating strategic
21 and discursive narratives which possess hegemonic force in their translation and transposition
22 overseas (see also Dörrenbächer and Geppert, 2016). Within the 'melting pot' of strategic and
23 discursive competition that provided the empirical focal point for this study, even the language of
24 innovation, creativity and motivation was perceived as being imbued with neo-colonial overtones
25 (Burris2017) the ethnic Chinese groupings within the enterprise reasserting preferred orientalist
26 doctrines in the manner of passive resistance. Continuous assertion of ethnocentric power from
27 corporate headquarters, expressed and signified by the actions of both expatriates and returnees,
28 coupled with the reality of continued shallow integration of the Chinese R&D subsidiary into
29 corporate value chains despite its achievement of modest scientific advancement has perhaps cast a
30 shadow over the China R&D site.
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35 Yet, In hearing the stories of the major constituent groupings within the enterprise, comprising
36 western expatriates, bicultural returnees and local Chinese knowledge workers, it is clear that
37 ethnocentric design from the Centre tended to flounder on a rock of calculative resistance at local
38 level. The expression of conflict within this hybridized international concern could not be described
39 as overt or as manifesting solidarity on the part of the local staffing contingent, but was rather
40 marked by its fragmentation and complexity as cellular interest groups mobilised resources or
41 capitals at their disposal within the micro-contexts in which they found themselves. HCNs and
42 returnees, as well as the representatives of western capital were interacting with their new and
43 ambivalent environment in a tactical and entrepreneurial fashion, rendering a dynamic state of
44 conflict in practice. Of note was the workers' resistance to imposed pay structures and their implicit
45 threat to 'up sticks' and quit if their career development aspirations were not taken seriously.
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49 In conclusion, clearly considerably more theoretical and empirical investigation needs to be
50 undertaken into the micro-political dimensions of corporate expansion into developing and
51 emerging economies. In undertaking such study new departures in critical realist thinking (Rees and
52 Smith, 2016) may be useful in framing emerging debates on critical international management
53 practice, as the complex and multi-layered nature of context becomes apparent, as does the ability
54 of disparate human actors to make sense of contexts in a creative and reflexive fashion.
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*Corporate pseudonyms are used in order to protect anonymity.

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