

Chapter 46

How the Human Resource Practices of Chinese MNEs in Africa Create Economic Growth and Livelihood Options

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ABSTRACT

The purpose of this paper is to critically analyze the economic development impact of multinational enterprises (MNEs) in developing countries. In particular, the relationship between MNEs' developmental effect on economic growth and poverty reduction and their use of human resource management (HRM) practices will be examined. The regional focus will be on Chinese MNEs in Africa. The paper is conceptual in nature by analyzing relevant key literatures, investigating cases of Chinese MNEs in Africa, and finally deriving a systematic conceptual framework.

INTRODUCTION

In recent years, international business studies have begun to explore the issues around the impact of private multinational enterprises (MNEs) and their foreign direct investment (FDI) activities on economic growth and poverty reduction (e.g., Yamin & Sinkovics, 2009; Ramamurti, 2004; Lall & Narula, 2004). One of the most outstanding findings was that positive developmental effects from FDI are not an automatic consequence. The realization of potential benefits of FDI is a challenging process at which relatively few countries have been successful (UNCTAD, 2016; Dunning & Narula, 2004; Nunnenkamp & Spatz, 2004). Hence, a more critical and detailed evaluation of the economic development impact of

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MNEs in developing countries is needed (Ghauri & Buckley, 2006; Kolk & van Tulder, 2006; London & Hart, 2004).

Another important finding was that the positive developmental effect of FDI is strongly conditional on high levels of human capital and human resource management (HRM) practices. Domestic linkages, the internalization of spillovers and local absorptive capacity are required factors for positive economic growth impacts of MNEs' FDI (Bruton, Ketchen & Ireland, 2013; Li & Liu, 2005; Lall & Narula, 2004).

In order to examine the relationship between MNEs' developmental effect on economic growth and their HRM practices, this chapter links existing research from these fields and carves out explicitly their respective roles. Thus, the research question is which HRM practices do Chinese MNEs operating in Africa apply and to what extent do these practices contribute to wealth creation and poverty reduction. Particularly, job creation, HRM staffing, skill development and training, compensation and incentive setting are investigated.

The analytical procedure in this chapter is conceptual in nature. It involves the tabulation of key literatures on the relationship between MNEs' FDI, economic growth and poverty reduction and the linkage to MNEs' HRM practices. By examining cases of Chinese MNEs' FDI and their HRM practices in Africa, a systematic conceptual framework is derived.

The regional focus will be on developing countries in Africa and on FDI made there by Chinese MNEs for the following reasons. After being pushed by the Chinese government's GO GLOBAL POLICY implemented in 2001, the number and volume of Chinese firms' FDI increased continuously and at a very fast pace (see Figure 1; UNCTAD, 2016). In particular, the growing presence and importance of Chinese MNEs in Africa led to tremendous changes in terms of the investment, trading and infrastructure landscape in Africa (Ado & Zhan, 2016; Bräutigam & Tang, 2011; Kaplinsky & Morris, 2009). Over the past decade, the largest growth and investment relationship was between China and Africa. This trend constitutes an unprecedented phenomenon, and captures the attention of international managers, politicians and scholars alike (e.g., Ramasamy, Leung & Laforet, 2012; Alon, Child, Li & McIntyre, 2011; Buckley, Clegg, Cross, Liu, Voss & Zheng, 2007). While several studies exist that examine the background, the motives and determinants of Chinese FDI in African countries (Kamoche & Siebers, 2015; Jackson, 2012; Alden & Davies, 2006) using aggregate data on the country-level, only very few articles focus on Chinese MNEs' role regarding the creation of economic growth and livelihood options on the firm-level. While HRM practices are an important factor contributing to this, their role for the creation of economic growth and livelihood options is largely neglected in the literature in this field.

Besides the practical relevance of Chinese MNEs in Africa, the analysis of Chinese OFDI also offers rich opportunities for theoretical contributions. Hence, by using a more case-specific and context-specific perspective, this study aims at contributing to the current debate about Chinese and other emerging market firms' internationalization and the applicability of traditional theories to their behavior (McDonald, 2011; Barney & Zhang, 2009; Yiu et al., 2007).

The remainder of this chapter is as follows. After outlining the impact of MNEs on economic growth and poverty reduction, the systematic conceptual framework is presented. Then MNEs in Africa and especially Chinese MNEs in Africa are delineated. Afterwards, HRM practices and their effect on economic growth and poverty reduction are described and exemplified by Chinese cases. At the end, some concluding remarks are given.

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