Headquarters Control and Its Legitimation in a Chinese Multinational Corporation: The Case of Huawei

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ABSTRACT Based on interviews and documentary analysis, we analyzed the mechanisms being adopted by the HQ of Huawei, a Chinese MNC, for controlling the outputs and processes of its foreign subsidiaries and social behaviours within them and how these controls were supported by corresponding strategies of legitimation. The controls comprise key performance indicators, standard operating procedures, divided subsidiary mandates, HQ-centric rotational expatriation, military-style induction, public oath-taking and self-criticism ceremonies, and training in and role-modelling of core values. The HQ provides comprehensive legitimation for each of these control mechanisms, drawing on five strategies of legitimation, which comprise espousals of organizational benefits, inducement, affirmation, moral exhortation, and narrativization. In many cases, the legitimizing statements have been provided by Mr. Ren, Huawei's founder and CEO, whose authority appears to have been important in conferring legitimacy to the HQ. The historical path of Huawei's development as an MNC has also been salient in conferring legitimacy to the HQ. Our findings suggest that interviewees regard the controls as legitimate, that the subsidiaries broadly comply with the controls, and that micro-political contestation is largely absent.

KEYWORDS Chinese MNCs, control mechanisms, HQ-subsidiary relationships, legitimation, qualitative methods

> *A headquarters' formal decision-making authority means little if its actions are not perceived as legitimate.*

(Brenner & Ambos, 2013: 791)

INTRODUCTION

The issue of headquarters (HQ)-subsidiary relationships in multinational corporations (MNCs) has remained a contentious one in international business (IB) research

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that has spanned five decades (Kostova, Marano, & Tallman, 2016; Paterson & Brock, 2002). Prior research has indicated that HQ-subsidiary relationships in MNCs typically become 'strained or even adversarial' (Bartlett & Ghoshal, 1986: 88), manifest in power struggles (Bouquet & Birkinshaw, 2008; Geppert & Dörrenbächer, 2014) that are dysfunctional for the MNCs (Blazejewski & Becker-Ritterspach, 2011). Under such problematic relationships (Kostova & Roth, 2002; Kostova & Zaheer, 1999; Tempel, Edwards, Ferner, Muller-Camen, & Wächter, 2006), a subsidiary may resolve to meet local demands by seeking greater autonomy (Ambos, Askawa, & Ambos, 2011), stronger influence (Bouquet & Birkinshaw, 2008) and favourable mandates (Birkinshaw, 1996), and by engaging in issue selling (Balogun, Jarzabkowski, & Vaara, 2011) and other micro-political negotiations vis-à-vis the HQ (Dorrenbacher & Gammelgaard, 2006).

Facing the internal legitimacy challenge thus portrayed, the adoption of control plays an important role for the HQ in pursuing its goals (Jaussaud & Schaaper, 2016) by seeking to induce compliant subsidiary behaviours (Blazejewski & Becker-Ritterspach, 2011) through the adoption and implementation of various administrative or social arrangements (Harzing, 1999; Jaussaud & Schaaper, 2016). Nevertheless, even when implementing its mechanisms of output, process, and social control, the HQ may still find it difficult to achieve effective subsidiary management unless both the HQ and its controls are perceived as credible and legitimate (Brenner & Ambos, 2013). As Beetham (1991: 31–32) points out, 'the quality of performance needed from the subordinate party in a relationship, and the degree of legitimacy the relationship requires, are closely connected'. In other words, the legitimacy of the HQ's controls requires recognition of the HQ's 'right to govern' (Courpasson, 2000).

While there is a growing concern about the organizational challenges for establishing the legitimacy of controls in MNCs (Brenner & Ambos, 2013; Sageder & Feldbauer-Durtmuller, 2019), 'the lack of attention to legitimation processes in HQ-subsidiary relationships is a serious omission' (Balogun et al., 2019: 224). So it would be meaningless to study legitimation in a vacuum without also investigating those entities (i.e., control mechanisms) that are being legitimized, as a step toward understanding legitimation in our focal organization. However, salient studies of MNCs have either focused on the power struggles and contestations between the HQ and its subsidiaries (Bouquet & Birkinshaw, 2008; Geppert & Dörrenbächer; 2014) or on the perceived legitimacy of particular strategic decisions taken by the HQ (Balogun et al., 2019; Brenner & Ambos, 2013; Li, Xia, & Lin, 2017) and foreign subsidiaries (Conroy & Collings, 2016) from developed nations. Thus there is a gap in literature regarding how the HQ of a developing MNC can, through legitimation, render effectual its controls over foreign subsidiaries.

Heeding a recent call for more research on HQ-subsidiary relationships in 'new types of MNCs' (Kostova et al., 2016: 182), our research will focus on the strategies of legitimation, through which the legitimacy of the controls imposed by the HQ is created and maintained in the context of a developing MNC.

Accordingly, our first research question (RQ) is: *What mechanisms do the HQ of a developing MNC adopt for controlling outputs, work processes, and behaviour in its subsidiaries?*

A Chinese MNC provides an interesting research context for advancing our current state of knowledge about the role of legitimacy in HQ-subsidiary relationships (Kostova & Zaheer, 1999; Kostova & Roth, 2002). Given that for Chinese MNCs, 'their corporate images and legitimacy in host countries are unfavourable' (Wei & Nguyen, 2017: 1010), such scepticism may spill-over to colour the views of local employees and managers in Chinese MNCs, and challenge the arrangements and practices of the HQ as illegitimate and inappropriate in local contexts (Fang & Chimenson, 2017; Hadjikhani, Elg, & Ghauri, 2012). Since gaining legitimacy would confer upon a Chinese HQ the 'right to govern' (Courpasson, 2000), the converse of this, i.e., subsidiaries' lack of acceptance of certain control mechanisms, might serve to undermine HQ-subsidiary relationships in Chinese MNCs, thus inducing uncooperative behaviours. Lack of understanding about the use of legitimation as a rhetorical device for strengthening HQ-based controls over subsidiaries constitutes a notable gap in the literature about Chinese MNCs. Hence, our second RQ is: *How can the HQ of a Chinese MNC seek to legitimize its controls to ensure subsidiary cooperation?*

The rest of the article is organized into four main parts. First, we review HQ controls from a legitimacy perspective and identify associated legitimation challenges for Chinese MNCs. We then explain our methodology and discuss the main findings in the context of our research questions. We conclude the article by explaining our main theoretical and practical contributions, and by discussing limitations and future research directions.

THEORETICAL BACKGROUND

HQ Controls and Their Legitimation in MNCs

MNCs can be conceived as 'complex organizational entities with intricate and multifaceted internal political processes' (Geppert, Becker-Rittenspach, & Mudambi, 2016: 1210). HQ-subsidiary relationships have long been viewed as inherently problematic (Blazejewski & Becker-Ritterspach, 2011; Geppert & Dörrenbächer; 2014; Lange & Becker-Ritterspach, 2016; Morgan & Kristensen, 2006). The HQ faces the prospect that, driven by self-interest (Balogun et al., 2011) and desire for greater autonomy (Bouquet & Birkinshaw, 2008), some subsidiaries will seek to act as 'subversive strategists' (Morgan & Kristensen, 2006). The HQ may accordingly seek to strengthen its control, conceived as 'the process by which one entity influences, to varying degrees, the behaviour and output of another through the use of power, authority and a wide range of bureaucratic, cultural and informal mechanisms' (Geringer & Hebert, 1989: 236–237). In turn, there are likely to be differences of opinion between the HQ and foreign subsidiaries regarding the merits of such control mechanisms, especially those that involve resources, behaviour, and outputs (Harzing, 1999).

Legitimacy as 'a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate' (Suchman, 1995: 574) forms the basis for exercising authority and influence, i.e., legitimate power (Leach, 2005) in organizations. Leach (2005) distinguishes between authority and coercion in exercising formal power in organizations. The authority of an entity to exercise formal power depends on perceptions among organization members that such formal power is legitimate. Organization members are likely to go along willingly with formal power exercised by an entity that they perceive as having legitimate authority. However, if organization members perceive that the formal power exercised by an entity lacks legitimacy, then they will regard that power as coercive in nature, and if they go along with it, they will do so only grudgingly, in order to obtain resources or avoid sanctions, and not willingly.

Leach (2005) similarly draws distinctions between influence and manipulation, with the former reflecting legitimate informal power and the latter reflecting illegitimate informal power. Organization members are likely to accept informal influence if they are persuaded or won over by it, whereas they will only go along with being manipulated if they are unwittingly deceived by it or wish to avoid the prospect of social disapproval if they demur.

It would follow from Leach's (2005) analyzes that in an MNC, the ability of the HQ to exercise authority or influence over the subsidiaries depends on perceptions among the latter that the respective formal or informal controls are legitimate (Brenner & Ambos, 2013). In the event that foreign subsidiaries perceive that the HQ lacks legitimacy, i.e., 'may lack credibility within the focal subsidiary' (Brenner & Ambos, 2013: 777), and are sceptical about the HQ's roles and contributions (Li et al., 2017; Nell & Ambos, 2013), they are likely to engage in opportunistic behaviours (Oliver, 1991; Saka-Helmhout & Geppert, 2011) and other kinds of politicking (Holm, Decreton, Nell, & Klopf, 2017; Tempel et al., 2006). These non-compliant responses may include issue selling (Conroy & Collings, 2016), 'continuous search for mandate extension' (Morgan & Kristensen, 2006: 1480), and 'acquiring or accessing local idiosyncratic resources to enhance (their) power within the organization' (Chen, Chen, & Ku, 2012: 259).

Drawing on the assertion that 'a consideration of internal legitimacy strikes at the heart of discussions in the international business literature regarding the nature of the tensions that characterize HQ-subsidiary relationships and decision-making' (Balogun, Fahy, & Vaara, 2019: 226), this article focuses on how an HQ can seek to build and maintain legitimacy for its means for subsidiary control (see Figure 1). In our study, internal legitimacy is defined as 'the acceptance and approval of an organizational unit by the other units within the firm' (Kostova & Zaheer, 1999: 72). Assessing the alignment of cognitive understandings, normative evaluations, and pragmatic interests (Suchman, 1995) between the HQ and its subsidiaries 'requires dual consideration of the legitimacy judgments of organizational members and [of] the managerial legitimation strategies' (Balogun et al., 2019: 224). In the findings section of this article, besides analysing the means adopted
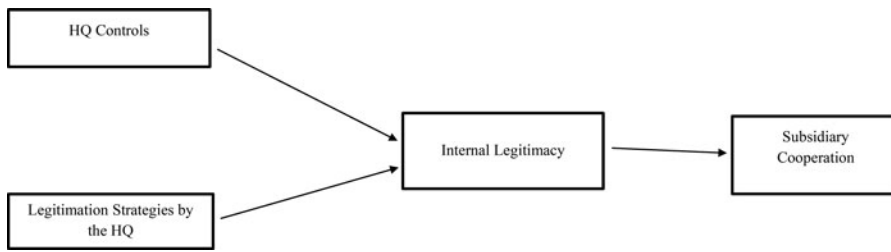
Figure 1. A conceptual model

by an HQ for exerting control vis-à-vis its subsidiaries, we shall also analyze the various means of legitimation employed by the HQ that are designed for 'creating a sense of positive, beneficial, ethical, understandable, necessary, or otherwise acceptable action in a specific setting' (Vaara & Tienari, 2008: 986). We shall also analyze the role of Mr. Ren Zhengfei as a paternalistic leader with widely respected authority to provide legitimation for the various means of control. Preceding this, in the case background subsection of our methods section, we outline the track record of achievements by the firm, which we also consider relevant to the perceived internal legitimacy of the HQ as a control centre.

For example, we anticipate some relationships between Suchman's (1995) three main types of legitimacy and three of the legitimation strategies identified by Vaara and Tienari (2008). Let us consider, first, the types of legitimacy (Suchman, 1995). Cognitive legitimacy concerns whether an item for legitimation, which in our case would be a control mechanism or one of its key features, can be readily explained and understood on the basis of culturally familiar 'common sense'. Pragmatic legitimacy could address the mutual self-interest of the subsidiary, the HQ, and the affected organization members, such as whether a particular control mechanism is perceived as helpful in enhancing quality, averting mistakes, or rewarding good performance. Moral legitimacy would concern whether a control mechanism could be regarded as right and proper from a social desirability perspective.

For the purpose of our study, we shall construe legitimation as the rhetorical means employed by an entity (i.e., the HQ) toward the aim of achieving and maintaining the acceptability to particular stakeholders (i.e., the subsidiaries) of particular arrangements and obligations (i.e., controls). Particular types of legitimation (Vaara & Tienari, 2008) may constitute attempts to gain or maintain particular types of legitimacy (Suchman, 1995). Our concern with legitimation is based on the premise that seeking to exert HQ control over subsidiaries in the absence of legitimacy becomes naked coercion, which cannot actually force local managers to comply if the latter remain able to access and utilize locally embedded resources for resistance (Hong & Snell, 2016; Morgan & Kristensen, 2006). The perceived necessity of legitimation in such cases is illustrated by a recent case study (Balogun et al., 2019) of how the senior management in a European region of

another MNC provided extensive and multifaceted legitimation for their decision to relocate the regional head office, and to centralize policy making there. In that case (Balogun et al., 2019), announcements in the run up to the new arrangements were greeted by strong vocal opposition from employees at the affected subsidiaries, but the accompanying and ensuing legitimation appeared to help employees to come to terms with the new situation.

Next, we shall explain how three of Vaara and Tienari's (2008) legitimation strategies may relate to internal control mechanisms and to the seeking of Suchman's (1995) three types of legitimacy. Rationalization involves referring to evidence about the utility of particular control mechanisms, or in the absence of such evidence, it involves articulating expectations that may be regarded as reasonable and favourable regarding their likely outcomes, and hence may, depending on the emphasis, seek to establish cognitive or pragmatic legitimacy. Moral evaluation or moralization involves invoking value systems that support or justify a control mechanism, and hence is congruent with attempts to establish the moral legitimacy of that mechanism. Mythopoesis or narrativization involves the use of storytelling about how a control mechanism is related to a familiar cultural or historical phenomenon and about the role the mechanism will play in the future. To the extent that mythopoesis involves conveying a sense of destiny or inevitability, it may constitute an attempt to establish cognitive legitimacy.

Challenges in the Legitimation of HQ Controls in Chinese MNCs

There has been a consensus within the growing stream of studies on the globalization of Chinese firms that Chinese HQs seek to exert a high degree of control over their subsidiaries (Auffray & Fu, 2015; Huang, 2011; Sun, 2009), reflecting their institutional and cultural heritage (Bartlett & Ghoshal, 1988; Redding, 2014). However, as compared to western MNCs (Blazejewski & Becker-Ritterspach, 2011; Ciabuschi, Forsgren, & Martin, 2012), Chinese HQs face greater challenges in achieving legitimacy for their controls over their foreign subsidiaries. For example, many Chinese MNCs have a relatively short history of internationalization (Williamson, Ramamurti, Fleury, & Fleury, 2013). Some of them may accordingly lack sufficient foreign experience (Meyer & Thaijongrak, 2013), and thus incur the liabilities of foreignness (Child & Rodrigues, 2005; Klossek, Linke, & Nippa, 2012) and outsidership (Schaefer, 2020) when facing complex and unfamiliar institutional overseas environments. Where this is the case, a Chinese MNC's lack of 'capacity to adjust to conditions in their host contexts' (Child & Marinova, 2014: 349) may make it difficult for the HQ to engage in the selection and deployment of control systems that are deemed 'desirable, proper, or appropriate' (Suchman, 1995: 74) by foreign subsidiaries. For example, compared to western counterparts, Chinese MNCs tend to employ a higher ratio of senior expatriates for controlling and managing the daily operations of foreign subsidiaries (Auffray & Fu, 2015), but deficiencies

in the expatriates' management and leadership skills have caused resentment among local employees (Cooke, 2014).

Also, Chinese MNCs may potentially suffer from negative 'legitimacy spillovers' (Kostova & Zaheer, 1999), arising from adverse media reports about practices in the home country that are considered questionable (Engels-Zandén, 2007), in turn reflecting an unfavourable country of origin image (Chintu & Williamson, 2013). Such reports may induce skepticism among local employees about the HQ's underlying motives (Fang & Chimenson, 2017) for importing particular behavioural controls from China.

Furthermore, as illustrated in a recent case study of a Chinese MNC in the UK (Lai, Morgan, & Morris, 2020), even though behavioural controls that are legitimized by symbols and stories embedded in wider discourses about the history of the home country may be meaningful and attractive to many expatriate managers, such narratives may be incomprehensible to or unappealing to locally employed organization members. In such cases, either the latter may need to be exempted from the corresponding controls, or some alternative means of legitimation may be adopted, suitable for non-home country originated employees.

To sum up thus far, this study follows others (Balogun et al., 2019; Brenner & Ambos, 2013) in adopting the concepts of legitimacy (Suchman, 1995) and legitimation (Vaara & Tienari, 2008) to analyze HQ-subsidiary relationships in a Chinese MNC, based on the premise that Chinese HQs are faced with some inherent internal legitimacy challenges. Specifically, the main concern regarding internal control facing Chinese MNCs may stem from negative perceptions about the legitimacy of organizational practices from the home country. In this regard, even though Chinese HQs may possess resource power, their 'control may not automatically be perceived as legitimate' (Brenner & Ambos, 2013: 777). Since Chinese HQs need to enhance their authority to govern by legitimizing their controls, and since this is problematic, viewing HQ-subsidiary relationships from an organizational legitimacy perspective is therefore considered as an appropriate and relevant focus for our study.

With reference to the case of Huawei Technologies Co. Ltd ('Huawei'), a Chinese MNC facing the liabilities of foreignness (Child & Rodrigues, 2005), origin (Chintu & Williamson, 2013), and outsidership (Schaefer, 2020), we aim to provide 'context-sensitive' explanations (Plakoyiannaki, Wei, & Prashantham, 2019) to advance our understanding about control and legitimation in MNCs by investigating how a Chinese HQ provides legitimation for its controls to ensure subsidiary cooperation.

METHODS

With the aim of obtaining a contextualized understanding of how an HQ of a PRC-based MNC seeks to legitimize and render effectual a comprehensive set

of controls over its foreign subsidiaries, we undertook a single, instrumental case study (Eisenhardt, 1989; Stake, 1995; Yin, 1994) of a particular Chinese firm, which has over two decades of international experience, and does business in over 170 countries. We adopted a qualitative approach to analyze the controls that were being orchestrated by the HQ, and the associated rhetorical discourses of legitimation for those controls. Although it was not possible to gather extensive data about the relationships between the HQ and particular subsidiaries, we sought to understand the overall pattern of subsidiaries' responses to the controls, based on 'down-to-earth descriptions' (Yanow, 2004). We considered that although a single case study would not be conducive to broad generalization (Silverman, 2013; Stake, 1995), it would have potential value in driving theory development.

The Focal Firm

Huawei is headquartered in Shenzhen, China. It has over 170,000 employees worldwide (Huawei, 2016), around half of whom work in R&D (Sun, 2009). The firm was founded in 1987 by Mr. Ren Zhengfei, who had previously served in the People's Liberation Army (Zhang & Wu, 2012: 117). By 2004, Huawei had established subsidiaries on all six continents. Huawei currently sells telecommunication network equipment, IT products and solutions, and smartphones in more than 170 countries and regions (Huawei, 2016). Among Huawei's foreign subsidiaries, most focus exclusively on sales and service, while the others focus exclusively on providing internal services such as pursuing R&D within specialist domains. The design, installation, and maintenance of overseas telecommunications networks is managed by Chinese expatriates, working closely with specialists in the Shenzhen HQ. Huawei divides its global markets into the PRC and seven other zones, and each of the eight regional HQs reports directly to the firm's marketing management committee (Sun, 2009: 139). By 2015, Huawei's revenue was approximately CNY 395 billion (USD 60.8 billion), which entailed a year-on-year increase of 37% (Huawei, 2016). Huawei ranked 129th on the Global Fortune 500 based on revenue in fiscal year ending 31st March 2016 (*Fortune*, 2016).

We chose Huawei as our case study because it is a Chinese MNC that has achieved market success across much of the world, while apparently maintaining strong, legitimate control by the HQ over its overseas subsidiaries. As an emerging MNC and latecomer to the global market in 1997 (Chong, 2018), Huawei did not initially enjoy sufficient legitimacy (Suchman, 1995) vis-à-vis stakeholders in developed economies for the purpose of 'incorporating ideas and objectives into foreign subsidiaries' (Brenner & Ambos, 2013: 777). Huawei's internationalization process therefore proceeded incrementally, in a pattern resembling the Uppsala approach (Johansson & Vahlne, 1977). The sequence of Huawei's foreign entries appears to have been important in overcoming the liability of foreignness and overcoming legitimacy deficits. Foreign expansion began in Africa and other peripheral markets, replicating Huawei's earlier development within China that began in

rural outposts before moving into the Tier One cities (Chong, 2018; Hensmans, 2017; Sun, 2009; *The Economist*, 2011). During the early expansion into host countries with significant institutional voids and adverse market conditions (Khanna & Palepu, 2010), Chinese expertise could attract more respect and face less competition than it would have done in more established markets. The HQ could accordingly cast itself as the primary source of managerial and technological competencies, while accumulating international experience, and building cognitive and pragmatic legitimacy along with core competencies (Kostova & Roth, 2002), in preparation for its subsequent entry into more developed countries (Kotabe & Kothari, 2016), such as those in Western Europe.

There are four other distinctive corporate features of Huawei. First, its culture has been described as characterized by strict discipline, hard work, single-minded purpose, high pressure, and high efficiency (Su & Chen, 2014; Sun, 2009). Prior to Huawei's overseas expansion, which began in the mid-1990s, such characteristics attracted the labels of 'Mattress Culture', reflecting the practice of not going home to sleep (Chen, 2007: 144–145) and 'Karoshi Culture' (Su & Chen, 2014: 77–78). Contemporary sources indicate that the high pressure culture persists (Su & Chen, 2014; Zhang & Wu, 2012), even as Huawei has gained recognition for innovation (Fast Company, 2017; Hensmans, 2017).

Second, Huawei operates an employee share ownership scheme, which, until recently, for legal reasons was open to Chinese employees only and is tied to current employment (Su & Chen, 2014; Zhang & Wu, 2012). In 2014, around 75,000 Chinese Huawei employees owned more than 90% of Huawei stock (Zhang & Wu, 2014). Although these are only 'virtual shares', as the stock itself is held by Huawei's Trade Union committee, current employees owning the shares earn dividends and hold voting rights. However, they do not possess unrestricted rights to sell their shares at will or to retain them after leaving Huawei (Yang, 2019). Furthermore, while conferring strong performance incentives to shareholding employees in Huawei, this particular scheme has not empowered them to participate in strategic decision making (Zaagman, 2019).

Third, unlike most emerging MNCs, Huawei's subsidiaries are almost all greenfield sites (Morphy, 2018; Schaefer, 2020), ostensibly in order to increase the HQ's influence over institution building (Clark & Geppert, 2011), although there are exceptions regarding some R&D and manufacturing subsidiaries in Europe (Ma & Overbeek, 2015; McCaleb & Szunomár, 2017). Fourth, reflecting the patterns of internationalization and organic growth described above, the older subsidiaries of Huawei tend to be located in less-developed countries, while the subsidiaries that are located in developed countries tend to be younger.

Data Collection

Data were collected through interviews and from documents. We shall explain the interview-based data collection part first, because most of this part was conducted

before the document-based part. Altogether 28 semi-structured, one-on-one, face-to-face interviews were conducted with a mixed sample of Chinese and non-Chinese managers, each of whom was interviewed once. Some Chinese were former employees. Details of the interviewees are given in Table 1.

A Chinese research assistant with an MBA degree conducted an initial round of interviews, each lasting around 20 minutes, with interviewees 1–17. He then conducted a second round of interviews, each lasting around 60 minutes, with interviewees 18–22. The first author, also Chinese, then conducted a third round of interviews, each of which also lasted 60 minutes, with interviewees 23–28. Both interviewers are fluent in English, and they conducted interviews in either Chinese or English, according to interviewees' preferences. The second and third round interviews, given their longer duration, probed more deeply than those in the first round for explanations and elaborations.

Each interview was guided by a list of open-ended questions, which was adjusted over time (Brinkmann & Kvale, 2015). Interviews began with demographics. Subsequent questions began with issues anticipated to be uncontentious, namely: How do the various parts of Huawei work together to identify customer needs and find affordable solutions? Please can you explain the roles of the HQ and the various types of subsidiary? Please can you explain the key policies regarding expatriates? Please can you describe the culture of Huawei? These were followed by potentially more sensitive questions, namely: Comparing HQ and subsidiaries, which is more powerful? Why? What controls does the HQ deploy? How are they justified (legitimized)? How do the local subsidiaries or regional offices respond to such controls? In addition to posing the preceding questions, the second and third round interviews probed for critical incident stories (Chell, 1998) in conjunction with the following questions: Please explain if there have been any 'difficult' cases regarding controls? If an employee or group disagrees with an instruction or procedure, what happens? Have you ever observed or heard about power struggles? Please explain what happened? In your view, what steps, if any, should the company take in the future to empower the regional offices/local subsidiaries?

Considering the difficulty of obtaining formal consent for research in Chinese firms (Stening & Zhang, 2007) and at Huawei's HQ in particular (Chang, Ho, Tsai, Chen, & Wu, 2017), i.e., the so-called 'bamboo curtain' (Snell & Easterby-Smith, 1991), informal access arrangements were made for the interviews. The first two rounds of interviews took place at an off-site hotel near to the Huawei HQ, which was regularly used for Huawei's conferences, meetings, and training sessions involving senior HQ-based executives, and expatriate managers and senior local staff from Huawei's overseas subsidiaries. At the hotel, the first interviewer, who had informal connections both to the hotel and to Huawei, approached potential interviewees, inviting them to take part in the study. He pointed out to interviewees that they had the right to refuse and to withdraw at any time, that the purpose was academic and sought to understand control mechanisms and HQ-subsidiary relationships within the company, and that

Table 1. Background of interviewees

Code	Function	Years of service	Sex	Chinese (C) or Non-Chinese (N)	Current Location (Region)
1	Marketing	6	M	C	HQ
2	Contract Management	5	M	N	HQ
3	R&D	9	M	C	HQ
4	Sales	1	M	N	Southern Africa
5	R&D	10	M	C	HQ
6	R&D	5	F	C	HQ
7	Finance	3.5	M	N	Europe
8	Management	10	M	C	Asia Pacific
9	Marketing	10	M	C	HQ
10	Quality Management	2.5	M	C	Latin America
11	Project Management	5	M	N	Europe
12	Supply Chain Management	5	F	N	Europe
13	Supply Chain Management	4	M	N	Middle East & North Africa
14	Supply Chain Management	8	M	N	Middle East & North Africa
15	Supply Chain Management	5	M	C	India
16	R&D	1	M	N	India
17	R&D	1	M	N	India
18	Accounting	8	M	N	Russia
19	Transmission solutions	7	M	N	Latin America
20	In-building coverage systems	1	M	N	Australia
21	Microwave projects	8 or 9	M	N	India
22	Engineer	1	M	N	India
23	R&D	13	M	C	HQ
24	Contract Services	5	F	C	Former employee
25	Administration	15	M	C	HQ
26	Business Solutions	8	F	C	Former employee
27	Project Delivery	6	M	C	Former employee
28	Customer Relationships	6	M	C	Former employee

their identities would be fully protected. He obtained interviewees' explicit consent prior to interviewing them. Ethics approval was obtained from the second author's institution, which funded the research. Interviewees for the third round were obtained through snowball sampling (Handcock & Gile, 2011), based on referrals by HQ-based interviewees, and were interviewed at convenient locations for them, such as quiet cafés, or (in the case of former Huawei employees) their current offices. All interviews were audio-recorded with interviewees' consent and were transcribed in English by the respective interviewers.

These procedures yielded a heterogeneous sample of interviewees. Altogether, there were 8 people employed at Huawei's Shenzhen HQ, among whom 7 were Chinese. Another 16 people were employed at Huawei's overseas subsidiaries, with representation from all 7 Huawei regions outside the PRC. There were also 4 former Huawei employees. Overall, there were 14 Chinese and 14 non-Chinese informants, and a mixture of senior and middle-ranking employees, covering a wide range of functional specialisms. Together, the

interviewees had aggregate experience of working at Huawei subsidiaries that were located in at least 23 countries, including India (7 people), Germany (6 people), France (4 people), Singapore (3 people), and the UK (3 people). Among those Chinese interviewees, who were currently based at the HQ, all had previously worked in at least one overseas Huawei subsidiary. This reflects that a career history of job postings within Huawei in multiple country locations is typical among Huawei's Chinese managers (Tao, Cramer, & Wu, 2017).

Another substantial portion of our data comprised documentary sources in English and/or Chinese that contain descriptions and characterizations of organizational controls and manifestations of legitimation within Huawei (see Table 2). Internal sources included issues 250–283 of *Huawei People*, a monthly company magazine available in English on the internet, covering 31 May 2014 to 30 September 2017. This is a channel for employees to share experiences, reflections, and ideas about working in Huawei, and for the CEO and other top managers and consultants to convey policy ideas and explanations. Another internal source was the book, *Dedication: The Huawei Philosophy of Human Resource Management*, compiled by Huawei's Executive Management Team (EMT) and available in English (Huang, 2016). This book contains excerpts from speeches and letters by Mr. Ren Zhengfei and from meeting resolutions by the EMT. We also consulted the *Huawei Charter*, an internal document developed with the help of Chinese scholars in 1996–97 (Tao et al., 2017), to understand the visionary framework that had been guiding the development of company policies and regulations. External sources are listed in our references section, and comprised independently written case studies, books, book chapters, scholarly articles, magazines, and newspaper reports about Huawei. Among these external sources were two company-facilitated books (Tao et al., 2017; Wu, Murmann, Huang, & Guo, 2020), the former based on 136 interviews with current or former Huawei employees, and the latter a compendium of research articles on the managerial transformation of Huawei. In cases where particular sources were available only in Chinese, two Chinese research assistants, who had completed or were taking research postgraduate degree programmes, provided English translations of salient passages.

Data Analysis

Data analysis involved data reduction, categorization and subcategorization, the drawing of provisional conclusions, and data verification (Miles & Huberman, 1994). We began by inspecting the interview transcripts. Within these, data reduction involved highlighting for analysis only those passages that appeared related to headquarters-subsidiary relationships, the enactment or legitimation of managerial controls, and subsidiary-level responses to such controls. Through open coding (Corbin & Strauss, 2015) we identified around two dozen first-order concepts and eight second-order themes within the highlighted portions of the transcripts.

Table 2. Data sources

Data types (dates)	Amount	Use in analysis
Primary data		
Interviews		
17 semi-structured interviews, each lasting around 20 minutes (conducted in May and June 2015). All were recorded and transcribed.	About 70 single-spaced transcript pages	Provided initial information about the control mechanisms deployed by HQ and general reactions among current employees
5 semi-structured interviews, each lasting between 30 minutes to one hour (conducted in August and September 2016). All were recorded and transcribed.	About 20 single-spaced transcript pages	Provided more in-depth understanding about the responses from local employees
6 semi-structured interviews, each lasting between 45 minutes and 1 ½ hour (conducted in March 2017). All were recorded and transcribed.	About 30 single-spaced transcript pages	Provided a critical perspective on HQ control from former and current employees
Secondary data		
Archival data		
Books [Tao et al. (2017); Wu et al. (2020) plus 8 other items], book chapters (2), scholarly articles (10), case studies (8), magazine and news reports (10)	About 40 sources	Obtained background information about the historical development and organizational context of the focal company; triangulated with interview findings
Dedication: The Foundations of Huawei's Human Resource Management	About 400 excerpts of CEO speeches, articles, company meeting minutes	Provided additional insights into the origin, intent and rationale of various HR policies; triangulated with interview findings
Internal documents		
The Huawei Charter	About 100 regulations	Exposed the stated values and company regulations governing employee behaviour
Huawei People company magazine	About 400 articles	Obtained more insights into managerial policies and about how local employees in foreign subsidiaries interpret and respond to the HQ control mechanisms; validated interview findings

We then turned to the documentary data sources, with the exception of Tao et al. (2017), which we did not obtain until we had arrived at our provisional conclusions. We shall explain later in this section how we used Tao et al. (2017). The other documentary sources contained a large volume of material, and we performed a similar data reduction process before engaging in open coding. Besides confirming the concepts and themes arising from the interviews, our analysis of the documents generated three dozen additional first-order categories and a dozen more second-order themes, and with these in mind, we returned to the interview transcripts and identified some passages that required recoding.

We then examined the whole body of first-order concepts and second-order themes to see if they could be sorted into pre-existing conceptual frameworks. In particular, we were able to match the seven emergent categories of control mechanisms that we identified from our data as subcategories that served to enrich the broader framework of output controls, process controls, and social controls that Sageder and Feldbauer-Durstmuller (2019) had already developed, based on their extensive review of studies of management controls in MNCs. After close inspection, we preferred to retain our own category labels for the control mechanisms as these were fine grained and had emerged from the data.

We were also able to locate our five emergent categories of legitimation as subcategories to enrich the categories within the broader Vaara and Tienari's (2008) typology, which includes rationalization, moralization, and mythopoesis (see also Van Leeuwen & Wodak, 1999). In addition, we noted similarities and differences between some of our emergent categories of legitimation and categories of legitimation developed by Balogun et al. (2019). Once again, we preferred to retain our own set of category labels where they differed from those of other scholars, not only because our categories were fine grained and had emerged from the data but also because the other typologies had been developed in contexts other than that of the legitimation of control mechanisms. We considered categorizing subsidiary responses according to West and West's (2006) three-category typology of behavioural reactions to corporate culture inculcation (supporters, compliers, and resisters), but in the end we preferred the simpler 'boy scouts' versus 'subversive strategists' dichotomy of Morgan and Kristenson (2006).

Once our category systems had crystallized, we were able to arrive at a theoretically saturated understanding (Bowen, 2008) and moved to a conclusion drawing stage based on insights into 'regularities, patterns, explanations, possible configurations, causal flows and propositions' (Miles & Huberman, 1984: 24). This entailed visualizing and mapping the interdependencies between the various categories (Merriam & Tisdell, 2016), thereby building a theory of how Huawei's HQ has acted in order to maintain control over its subsidiaries without suppressing their resourcefulness, as we explain in our findings section.

In terms of epistemological foundations, our analytical approach was based on social constructivism (Creswell, 2013), also termed interpretivism (Merriam & Tisdell, 2016), through which we sought to appreciate the various cultural and institutional contexts that the interviewees and documentary sources were referring to. We sought to construct a full and coherent picture of control and legitimation within Huawei that was consistent with how the interviewees and authors of the documents that we analyzed were making sense of these phenomena. In constructing this holistic picture, our interpretations were also informed by our own pre-understanding (Gummesson, 2000) of the role of control and legitimation in organizations, based on our theoretical sensitivity and extensive personal experience as organizational analysts, and open to modification and enhancement in light of the data we obtained.

Since this was qualitative research, we acknowledge that questions may arise regarding whether our interpretations are more plausible than alternative explanations (Cuervo-Cazurra, Andersson, Brannen, Nielsen, & Reuber, 2016), not least because of language differences and subsequent process of translation (Outila, Piekkari, & Mihailova, 2019). With such challenges in mind, we adopted seven data verification procedures to establish that our interpretations are trustworthy and credible (Lincoln & Guba, 1985). First, through data triangulation, we established that the patterns and meanings derived from the interview data were consistent with those from the documentary sources, which at that stage did not include Tao et al. (2017). Second, our sample of interviewees was heterogeneous in terms of functions, and included some individuals with extensive experience of several overseas subsidiaries. Third, the first author double-checked the English transcriptions to ensure consistency with the original tape-recordings and Chinese texts (Silverman, 2013). Fourth, when choosing examples for the findings section, we identified quotes that encapsulated the core meanings of the categories and conveyed the nuances of the subcategories. Fifth, the co-authors held regular meetings to discuss whether the transcript items had been accurately categorized and subcategorized and could ensure inter-rater reliability (Hammersley, 1992: 67). Sixth, regarding peer debriefing (Yin, 1994), we shared our main interpretations with some of the third-round interviewees for verification and confirmation. Seventh, after our analysis was completed, we performed a close analysis of all the passages in Tao et al. (2017) that referred to controls, means of legitimation, and HQ-subsidiary relationships within Huawei, compared our own categorizations with the material therein, and confirmed that data saturation (Bowen, 2008) had been reached.

The main sub-section of our findings section, which follows, analyzes the control mechanisms that the HQ is using to control the subsidiaries. For each control mechanism, we provide explanations of key aspects of how the mechanism works along explanations of the strategy or strategies adopted for the legitimation of those key aspects. A short sub-section then describes apparent subsidiary-level responses against the backdrop of the HQ's expectations and demands. Throughout the findings section, when referring to interviewees 1–28, we shall also indicate whether they are Chinese (C), who were interviewed in Putonghua, or non-Chinese (N), who were interviewed in English, and whether at the time of interview they were employed at the Shenzhen headquarters (H) or at an overseas subsidiary (S), or were former Huawei employees (F).

FINDINGS

Control Mechanisms and Strategies Adopted for Their Legitimation

Inductively from our data, we distinguished seven HQ-originated control mechanisms that were being applied vis-à-vis Huawei's overseas subsidiaries. They are

listed in column 2 of Table 3, and appeared to fall within the three parent categories of output controls, process controls and social controls of Sageder and Feldbauer-Durstmuller (2019), which are listed in column 1 of Table 3. We shall explain column 3 of Table 3 after explaining the content of Table 4, which we do next.

Inductively from our data, we distinguished five strategies that were being employed as rhetorical means for the legitimation of the control mechanisms. These legitimation strategies are listed in column 1 of Table 4, alongside our definitions thereof in column 2 of Table 4. Column 3 of Table 4 maps our five strategies of legitimation against the typology of Balogun et al. (2019). While there are some correspondences between the five legitimation strategies that we identified and those of Balogun et al. (2019), there are differences with respect to our categories of affirmation and moral exhortation. Column 4 of Table 4 maps our five inductively distinguished strategies of legitimation against the typology of Vaara and Tienari (2008). Among our inductively distinguished strategies of legitimation, two, namely inducement and espousal of organizational benefits, fall within Vaara and Tienari's (2008) broader category of rationalization; another two, affirmation and moral exhortation, fall within Vaara and Tienari's (2008) moralization; while our fifth category, narrativization, corresponds to Vaara and Tienari's (2008) mythopoesis. Column 5 of Table 4 identifies the types of legitimacy (Suchman, 1995) that each of our five inductively distinguished legitimation strategies appears to target. Among them, espousal of organizational benefits and inducement appear to seek pragmatic legitimacy, affirmation appears to seek both pragmatic and moral legitimacy, moral exhortation appears to seek moral legitimacy, and narrativization appears to seek cognitive legitimacy.

Returning to Table 3, we shall next explain the pattern of usage by Huawei's HQ of the strategies of legitimation as rhetorical statements in support of the various control mechanisms. This pattern is indicated in column 3 of Table 3. Among the strategies of legitimation, espousals of organizational benefits were prevalent and were used to support all seven control mechanisms. The associated espoused benefits tended to refer to anticipated outcomes for the organization as a whole rather than for subsidiaries *per se*. For example, the control mechanism of divided subsidiary mandates was legitimized as an arrangement that prevents the formation of rival power centres outside the HQ, indirectly implying common good for the organization. Another example is that the control mechanism of HQ-centric rotational expatriation was legitimized as a means for providing field experience for the cadres (a centrally recruited stratified echelon of leaders), and as a proving ground for them, implying common good for the organization while appealing to centrally recruited cadres, engaged in rotational assignments across the subsidiaries.

In the rest of this section, we explain and illustrate the seven control mechanisms in the sequence indicated in column 2 of Table 3, while in the process offering further explanations and illustrations of the five strategies that were being used for their legitimation.

Table 3. Control mechanisms in Huawei and corresponding strategies of legitimation

Parent categories	Control mechanisms	Strategies (types of rhetorical statement) used for the legitimation of each of the control mechanisms
Output controls	A comprehensive system of KPIs with associated rewards and punishments	Espousals of organizational benefits (e.g., that *the system removes and punishes under-performers*)
Process controls	Strict and comprehensive standard operating procedures	Espousals of organizational benefits (e.g., that *these procedures are objective and reliable*) Moral exhortation
	Divided subsidiary mandates	Espousals of organizational benefits (e.g., that *this arrangement is good because it prevents the formation of rival power centres outside the HQ*) Narrativization
Social controls	HQ-centric rotational expatriation of Chinese cadres*, who are bound by a 'striver pledge'	Espousals of organizational benefits (e.g., that *this arrangement provides field experience for Chinese cadres and constitutes a proving ground for them before they move to senior positions at the HQ*) Inducement Moral exhortation
	Military-style induction (for Chinese only)	Espousal of organizational benefits (i.e., that *this arrangement instils company values and virtues*) Narrativization
	Public oath-taking and self-criticism ceremonies	Espousals of organizational benefits (e.g., that *this arrangement helps to preserve a unified command structure*) Moral exhortation
	Training in and role-modelling of core values	Espousals of organizational benefits (e.g., that *this set of routines promulgates Huawei's core values*) Affirmation Moral exhortation Narrativization

Note: *Cadres also support output and process controls

Control mechanism 1: KPIs linked to rewards. Huawei's key performance indicator (KPI) system applies at all levels and within all functions and projects at each subsidiary. Although cadres stationed at the subsidiaries can negotiate with the HQ about their KPIs, the system is driven by the HQ, and cascades down the line. Interviewees perceived that their own performance against KPIs was being closely monitored by the HQ, and that the ensuing rewards or sanctions (including potential demotions and pay cuts) were reinforcing accountability by reflecting measured performance. For example:

> We are under the management of the HQ. . . Our operations are dictated by various KPIs on a yearly, quarterly, monthly or even daily basis. (15CS)

Table 4. Strategies of legitimation and the types of legitimacy being sought

Strategies of legitimation (our own categories)	Descriptions of the categories in column 1	Matching categories in Balogun et al. [2019]	Matching categories in Vaara and Tienari (2008)	Implied type(s) of legitimacy being sought
Espousal of organizational benefits	Asserting that one or more aspects of the control mechanism is beneficial for the firm (or prevents disadvantages)	Legitimation claims about organizational benefits	Rationalization	Pragmatic
Inducement	Framing one or more aspect of the control as being beneficial to organization members	Legitimation claims as personal inducements	Rationalization	Pragmatic
Affirmation	Praising or honouring organization members for their particular approach to working	(Partial match) Credibility via endorsement by results	Moralization	Pragmatic, moral
Moral exhortation	Urging organization members to behave in a manner that is framed as noble or virtuous	-	Moralization	Moral
Narrativization	Storytelling that invokes ideas, allegories or metaphors that they are familiar within Chinese culture and/or company tradition and which imply the necessity of a control mechanism or aspect thereof	Narrativization	Mythopoesis	Cognitive

Interviewees indicated, accordingly, that the KPI system not only generates pervasive performance pressure at each sales/service subsidiary, but also enables the HQ to pinpoint areas for improvement. For example:

> If some subsidiaries are poor at project delivery, they need to be re-assessed on their project delivery time and quality compliance in order to improve the overall standards of operation. (9CH)

Rhetorical statements of legitimation for the KPI system involved the espousal of organizational benefits, including this one about the alignment of personal and company interests:

> We focus on results and responsibilities during appraisals, and jointly share the pressures arising from market competition. (Work Report to the Board of

Directors Regarding the Completion of the 2003 Business and Budget Goals, 2003, quoted in *Dedication*, section 2.2.2)

Control mechanism 2: Standard operating procedures (SOPs). External sources indicate that Huawei's system of SOPs, introduced in 1998, was based on extensive consultancy by Western consultancy firms, especially IBM, and encompasses all functions (Chen, 2007; Sun, 2009: 145; Sun & Zhang, 2015; Tao et al., 2017; Zhang & Wu, 2012: 112–115). Tao et al. (2017) point out that before being finalized, the associated systems had been systematically piloted and refined to address the concerns of users. Interviewees indicated that the HQ owns the SOPs, that these are typically electronically embedded, and that subsidiaries cannot waive them without the HQ's approval. While local cross-functional teams are given autonomy in terms of arranging deals with local customers, they must operate within the boundaries of authorization and seek cooperation from regional and global HQ offices. The information systems of the subsidiaries are richly integrated with those of the HQ (Li, Chang, & Guo, 2020), enabling close monitoring by the latter. For example:

> There are specific steps to follow… Huawei's system is standardized throughout the world. (26CF)

> Everything you do will be monitored by the IT systems. Huawei has invested a lot of effort to develop a system and has created a lot of steps for us to follow … So I think the information system has been designed to control what the employees are going to do. (11NS)

Rhetorical statements of legitimation for the SOP system often involved espousals of organizational benefits and typically emphasized the importance of efficiency and objectivity. For example:

> These systems are all methodologies … They can help us remove unnecessary layers, and streamline our process from end to end, thus making our company less reliant on individuals. This is the most cost-effective and efficient approach'. (Ren Zhengfei, *Living with Peace of Mind*, 2003, quoted in *Dedication*, section 4.5.1)

Huawei's approach to adopting systems and procedures developed by external consultants has followed the initial pattern of absolute adherence, with subsequent incremental adjustments only permissible after an observation period stretching over many years (Murmann, 2020a). Statements of legitimation for the SOP system introduced by IBM involved moral exhortation by Mr. Ren, implying that the SOP system was so important that it was worth making personal sacrifices in adhering to it:

> We would like every one of you to wear a pair of American shoes. We will let out American advisors to tell you what American shoes look like. You may wonder

whether the American shoes can be adapted. Well, we have no right to change anything. This is at the discretion of the advisors. (Ren Zhengfei, circa 1997, quoted in Tao and Wu [2015: 163–164])

If you think the IBM shoes pinch your feet, then cut your feet off. (Ren Zhengfei, quoted in Tao et al. [2017: 314])

Control mechanism 3: Divided subsidiary mandates. Huawei's HQ slices and dices the mandates of subsidiaries in ways that appear to be designed to forestall the rise of power nodes at the periphery, which might otherwise emerge to challenge the authority of the HQ. We explain three key aspects of the division of subsidiary mandates in Huawei and how they are legitimized. The first is that Huawei's local representative offices for sales/service operate separately from Huawei's local R&D units, even if these entities are close geographic neighbours. Because the sales/service subsidiaries lack an R&D function, they depend on a superordinate platform for product improvements. Conversely, without a sales function, the R&D subsidiaries cannot transact business without intermediation by a superordinate platform for financing. As an interviewee from an R&D unit commented:

HQ is more powerful than we are … All customer orders come from HQ, and we can't generate any business ourselves … which prevents us from being powerful. (17NS)

Another interviewee encapsulated the role of the sales/service subsidiaries:

The subsidiaries just have to do their business well. Just like in this coffee shop the waiters just have to sell the coffee. (25CH)

The second aspect of the slicing and dicing of subsidiary mandates is that the reporting lines of the local sales/service subsidiaries are kept separate from those of the R&D subsidiaries. For example, Huawei's Western European regional HQ for sales and service is in Düsseldorf, Germany (Huawei, 2017b) whereas each R&D site in Europe reports to the 5G research centre in Leuven, Belgium (Mobile Europe, 2015). This separation of sales/service functions from R&D at the regional level appears to discourage the concentration of power at any of the regional offices, and to reinforce the dependency of the latter on central intermediation. Huawei thus appears to prefer to centralize authority rather than to allow regional or country-based autonomy in major policy-making.

It appeared that the following piece of narrativization by Huawei's Chief Management Scientist was an attempt to provide and maintain cognitive legitimacy for the strict separation of sales from R&D at both local and regional levels:

… As profit centers, Huawei's product lines and regional sales organizations are all incomplete in functions … One of the most notable characteristics of Huawei's management is that it achieves small-scale business organization by way of quasi-profit centers. This is an approach that is definitely at the forefront

of the world's financial management. (Huang Weiwei, *Mr. Ren's Bucket of Glue Theory (iii)*, in *Huawei People*, 283, September 2017: 28)

A third aspect of Huawei's division of subsidiary mandates is that the overseas R&D units, including 18 that are located in different European cities, focus on distinctive specialist domains (Huawei, 2014; Huawei, 2017a; Pang, 2017). A statement of legitimation for this third aspect of the control mechanism of mandate division involved espousal of organizational benefits. This referred to the advantages arising for Huawei from capturing local talent pools for specialist research, and capitalizing on their external embeddedness:

Our microwave COE is a case in point. We found a leader in this field in Milan, and decided to build a team there especially for him … Milan is the home of microwave. It has abundant talent, a mature industry, and many universities with specialist labs in this field. (Ryan Ding, *From Lone Heroes to Heroic Teams*, in *Huawei People*, 275, February 2017: 4)

An additional arrangement (for which we could not find a legitimizing statement) that may have facilitated subsidiary mandate division is that Huawei's sales/service subsidiaries have been created through internal development (greenfield sites) rather than through acquisitions, as noted in the literature review. An interviewee commented:

Huawei never engages in M&A, because it has a very unique culture. It would be difficult for Huawei to manage acquired firms. Huawei built all the subsidiaries itself, even the unrelated businesses. (24CF)

Control mechanism 4: HQ-centric rotational expatriation of Chinese cadres. As is stated in external secondary sources (e.g., Chen, 2007; Sun, 2009; Tao et al., 2017), the HQ directly appoints members of a stratum of Chinese leaders, whom we have referred to as cadres, to management positions at the subsidiaries on a rotational basis. Within a given subsidiary, while junior and middle-ranking cadres perform functional specialist duties, the senior cadres normally occupy the highest line management positions. An interviewee pointed out that the incidence of non-Chinese senior managers (as opposed to senior R&D specialists) is rare in Huawei's overseas subsidiaries:

So far, in the whole of Huawei, we have just two non-Chinese as VPs, and both are in Europe. The CEO of Czechoslovakia is Polish, and the CEO in Belgium is Portuguese. (25CH)

By way of legitimation for the Chinese-dominated aspect of HQ-centric rotational expatriation, Mr. Ren has provided an argument based on espousal of organizational benefits. He implicitly argued that such rotational experience in the sales/service subsidiaries equips the Chinese cadres to operate more effectively when they eventually return to the HQ and, in turn, acquire centralized authority there:

We will not allow those who have never worked in field offices to sit at the HQ and give directions to field offices. All managers should go to work in field offices and (learn to) solve real-world problems. (Ren Zhengfei, *Building a Professional Financial Team That Has Solid Integrity, Dares to Shoulder Responsibilities, and Stick to Principles*, 2006, quoted in *Dedication*, section 6.1.1.)

Cadres on expatriate duty regularly return to the HQ for briefings and are stationed at any given subsidiary for around three years before being sent back to the HQ or on to other subsidiaries. They owe their primary allegiance to the HQ, while serving as key managerial resources at the subsidiaries. Supervision of the subsidiaries by the HQ is thus based on the rotational expatriation of cadres, for the purposes of testing, developing, and exploiting the managerial capabilities of the cadres, who are 'loaned' to the subsidiaries. The senior cadres at each subsidiary engage in the person-to-person instruction and monitoring of staff there, while remaining in close contact with the HQ. Besides accumulating and disseminating HQ-based expertise, senior cadres on rotation are expected to perform three other embedded agency roles (Battilana & D'Aunno, 2009). The first of these roles appears to be to serve as 'cultural diplomats' (Loveridge, 2005: 397), who promulgate and uphold HQ-originated norms and values (especially vis-à-vis more junior Chinese staff, who are also on rotation). As expressed by an interviewee:

Our Huawei CEO has conveyed to us that [in the subsidiaries] we must rely on our veteran employees, who are so called 'strivers', sharing the same thoughts … Power would not be given to local people because we don't trust them. (25CH)

Mr. Ren has used moral exhortation as a means for legitimizing the cultural diplomat role of the cades on rotation:

Passing our corporate culture down to subordinates is the responsibility of managers at all levels. If our managers can't understand our culture, it will be impossible for them to pass it to others. (Ren Zhengfei, *Having a Sense of Service and Branding, and Showing Team Spirit*, 1996, quoted in *Dedication*, section 4.1.3.)

Interviewees indicated that a second role of the cadres on rotation at the subsidiaries is to ensure that the HQ-originated policies, procedures and standards are implemented properly, and that resources are allocated within the subsidiary in accordance with the priorities and criteria set by the HQ:

Their [cadres'] job is to help the subsidiary follow the overall strategies set by the HQ and ensure that those policies will be fully executed. (4NS)

Huawei is a centralized company. In general, we have to come to the HQ for any important decisions, such as finance, staffing or other issues related to project control. (17NS)

As a means of legitimation, Mr. Ren espoused the organization benefit of this second, directive role of the cadres on rotation as follows:

We should not discuss corporate policies with employees, which may whet their appetites. We only need to explain policies to them … We must ensure that our corporate policies are not changed arbitrarily. (Ren Zhengfei, *Speech at the EMT ST Meeting*, 2009, quoted in *Dedication*, section 2.1.12)

The third role of cadres on rotation is to serve as 'battlefield generals' (a term coined by Mr. Ren), who are entrusted by the HQ to provide accurate and useful 'battlefield intelligence', which is especially salient if the cadres request additional help from specialists located at the HQ, or ask for additional headcount ('reinforcements') beyond the budgets originally allocated by the HQ:

If the subsidiary needs to convince HQ to give them more resources, you need to go through the subsidiary manager [top cadre there] first. (26CF)

A statement of legitimation for this third, commando in-charge role was conveyed in the form of narrativization by Mr. Ren, who invoked a military metaphor of the kind that organization members would be familiar with, given the emphasis on military metaphors and stories in *Huawei People*:

Under the new governance model, those who can hear the gunfire call for support; frontline organizations have both responsibilities and authorities; and corporate functions provide enablement and supervision. (Ren Zhengfei, *Letter from the CEO*, in Huawei, 2013: 8)

An additional aspect of the rotational expatriation of Chinese cadres is that the latter are bound by a 'striver pledge', which they are required to sign early in their career. This is a contractual agreement, through which the cadres waive their rights to overtime pay and to other protections and entitlements, such as a say in where they will be stationed, in exchange for career opportunities and membership of Huawei's employee share ownership scheme. Interviewees explained:

I signed the striver pledge, requiring me to forfeit paid holidays and to follow the company's staff assignment policy. On one hand, you have to give up your personal interests, but you can also share the company profits in return. (28CF)

(As a cadre) the company could ask you to go everywhere and rotate your position … Anyone could be rotated to any of the 170 plus subsidiaries. (24CF)

An alternative name for the striver pledge is 'dedicated employee agreement' (Osawa, 2016). It obliges cadres to accept and execute all assignments that are given to them. While Su and Chen (2014: 76) claimed that the Huawei cadres 'develop a sense of duty and absolute obedience to their superiors', implying a chain of command extending from the HQ into the subsidiaries, expectations about cadres' obedience are less strict in contemporary Huawei (Tao et al., 2017). Cadres nonetheless must accept all challenges assigned to them, as indicated by these interviewees:

(Unlike locals) the Chinese employees can't refuse their supervisors and managers. It is impossible for them to say 'no' to the boss, or they will be fired. (7NS)

(As a cadre) your superior can decide your fate in the company, so Huawei is a leader-centric company with the leader as the focal point … They demand absolute obedience from their subordinates. So that is why they have such a high level of execution. (28CF)

In statements designed to legitimize the striver pledge, Mr. Ren embraced the legitimation strategy of inducement:

When the business is good, their (the strivers') income will be very high. (Ren Zhengfei, *Speech at a Meeting with the IFS Project Team and Staff from Finance*, 2009, quoted in *Dedication*, section 3.2.9.)

We value the contributions of dedicated employees and reward them accordingly. (*The Second Coaching Report on Huawei's Charter*, 1998, quoted in *Dedication*, section 3.3.2.)

Mr. Ren also espoused the organizational benefits associated with the striver pledge, as below:

Key employees are those the company can rely on during its development, especially during times of crises or major internal and external events. They share in both the company's successes and failures and remain dedicated in whatever positions they assume. (*EMT Meeting Minutes No. [2008] 006*, quoted in *Dedication*, section 6.4.1.)

Control mechanism 5: Military-style induction. Huawei's HQ has sought to inculcate norms, codes, and values into potential cadres at the very beginning of their Huawei careers. According to external secondary sources, the firm has a long-standing tradition of providing military-style induction for newly recruited Chinese graduates (Osawa, 2016). New Chinese recruits undergo a month of military training (Su & Chen, 2014: 76; Sun & Zhang, 2015), plus another 'two weeks of cultural indoctrination on the Shenzhen campus' (*The Economist*, 2011). Referring only to this home-country arrangement and not to the induction of non-Chinese employees, Su and Chen (2014: 76) claimed that 'Huawei implants its corporate culture in new recruits to override other learned behaviours'. According to Tao et al. (2017: 199), '"Brainwash" isn't really the right word because the company does more than that; perhaps "brainswap" is more appropriate'. They elaborated as follows:

Having gone through various training sessions on the values that drive their daily work, almost every one of them (Huawei's Chinese employees) has undergone a transformation. Every cell in the Huawei organism is trained to be customer-centric. (Tao et al., 2017: 33–34)

Taken together, these sources imply that the early socialization of those who become Huawei cadres matches van Maanen's (1978) categories of being intense, formal, collective, serial, and divestiture-based. The aim appears to be to transform them into a disciplined army under unitary command. As one interviewee stated:

> As soon as you are recruited, the brainwashing process begins. My boss used to tell me that he could find strong traits of Huawei in me. (26CF)

A key statement offering legitimation for Huawei's military style induction of potential cadres involved narrativization:

> As the old Chinese saying goes, 'A valiant general always starts as an ordinary soldier, just as a prime minister always starts as a local official'. (Ren Zhengfei, *A New Year Message for 2010*, quoted in *Dedication*, section 6.1.1)

In our analysis of articles in *Huawei People*, we found some stories about past 'struggles' that cast the marketplace around Huawei as a 'battlefield'. Such articles may also have been used for a strategy of narrativization in seeking cognitive legitimacy for military style induction. In addition, articles in earlier editions of *Huawei People* that were outside the scope of our own analysis, i.e., prior to May 2014, appear to have cast military-like struggles as part of a wider narrative of Huawei as a Chinese organization seeking to redress more than a century of perceived foreign domination and repression (Lai et al., 2020).

Control mechanism 6: Public oath-taking and self-criticism ceremonies. Since 2007, the senior and middle-ranking cadres in every HQ department and subsidiary have been required to participate in oath-taking and self-reflection ceremonies (Hawes, 2008; Hawes & Chew, 2011; Tao et al., 2017). Some middle-ranking local employees may also participate. Articles in *Huawei People*, such as the one from which the extract below is taken, contain photographs and reports of the ceremonies, and have set out the protocol of such ceremonies:

> The Western European Region Management Team (MT) read and discussed the eight principles for managers at its 2017 annual meeting … At the meeting, managers also identified gaps between their own work ethic and the standard required by the eight principles, and reflected on the shortcomings in their work. After the discussion, the MT members took a solemn oath, expressing their determination to firmly adhere to the eight work ethic requirements for managers … Similar meetings were also held by the management teams of (Business Groups) and representative offices in Western Europe. (*Discussion of the Eight Principles and Oath to Improve Work Ethic*, in *Huawei People*, 276, March 2017: 38)

Liu (2015) has suggested that a key function of oath-taking and self-criticism ceremonies at Huawei is to maintain unity and avoid friction (196). Indeed, this

potential organizational benefit corresponds to one of the eight principles alluded to in the extract given immediately above. Principle no. 8 is given below:

> No. 8. We will not allow the act of taking sides or forming cliques to gain foot-hold at Huawei. (*Oath-taking: Eight Principles for Managers*, in *Huawei People*, 275, February 2017)

In a set of statements providing legitimation for these ceremonies, Mr. Ren has offered moral exhortation for managers to engage in self-criticism and self-reflec-tion and has claimed as an organizational benefit that the associated conceptual processes have helped to prevent Huawei's demise:

> We should ask managers to first criticize themselves, and then let others judge if they can pass. Managers must be open-minded, accept criticism from others, and engage in self-reflection. (Ren Zhengfei, *Speech at the Communication Meeting with the Steering Committee on Self-reflection*, 2006, quoted in *Dedication*, section 5.7.1.)

> Without self-reflection … we … would not have survived in this volatile and competitive market. Without self-reflection, we wouldn't have been able to introspect, motivate ourselves, and boost team morale in the face of crises. (Ren Zhengfei, *Anyone Who Climbed Out of the Pit of Setbacks is a Saint*, 2008, quoted in *Dedication*, section 4.1.1.)

Control mechanism 7: Training in and role-modelling of core company values. Referring to an earlier era in Huawei's development when the firm was aggressively embarking upon foreign expansion, several external sources have referred to Huawei's 'wolf culture' as an encapsulation of the firm's approach to seizing business opportunities (Chen, 2007; Hawes, 2008; Su & Chen, 2014; Sun, 2009; Zhang & Wu, 2012). This metaphor remains part of the company folklore, as indicated in the following quotes:

> If I can use a few words to describe Huawei, I will first use 'wolf character'. In English we may use 'aggressive' or related adjectives. Once they set an objective, everyone from top to bottom will work together to achieve it by whatever means. (28CF)

> Someone once said to me that to work at Huawei you need to be aggressive like a wolf, so it's a good thing that I'm a wolf, too. (Italian head of Milan Research Centre, *Huawei Built a Research Lab Because of Me*, in *Huawei People*, 272, October 2016: 7–14)

As legitimation for the 'wolf' aspect of the core value system of the company, Mr. Ren has, in the past, provided moral exhortation to participate in the wolf culture:

> To expand, an enterprise must develop a wolf pack. Wolves have three key char-acteristics, a keen sense of smell, a pack mentality and tenacity. We must create an environment that encourages employee dedication. When opportunities

emerge, a group of leaders will stand out and seize them. (Ren Zhengfei, *How Long Can Huawei Survive?*, 1998, quoted in *Dedication*, section 1.4.3.)

Mr. Ren's (2012) speech, *The Spring River Flows East*, involves role modelling and narrativization about extreme dedication and self-sacrifice. In the speech, Mr. Ren describes having suffered nightmares, depression, and two cancer operations associated with the stress of dealing with a particularly challenging period in the company's history. Nowadays, however, rather than advocating wolf-like aggressiveness, Huawei's internal communications emphasize the values of more moderate applications of customer-centricity, dedication, and perseverance (Tao et al., 2017). These core values are mentioned alongside self-reflection in the 2016 annual report (Huawei, 2016). As explained below, these values have formed the basis of training sessions for local employees at Huawei's subsidiaries:

Recently I have been the project lead on the core values for Huawei Africa. We did a roadshow holding ten sessions across the region. I had taken people through various case studies of how Huawei core values are used in our day to day lives. I also do regular training on the company's core values. (Local Senior HR Manager, Huawei South Africa, *Ambassadors of the Core Values* in *Huawei People*, 279, June 2017: 10–11)

Mr. Ren has in recent times pointed out that not all Huawei people need to be 'wolves'. In a statement of legitimation for the complementary role of 'Bei' within the core value system of the company he adopted the twin strategies of narrativization and moral exhortation:

Our young employees should be full of drive and ambition, like wolves; but at the same time, we should also allow other employees to work slowly and carefully, like the Bei, a legendary animal from Chinese folklore … The most effective organization is one that has wolves and Bei cooperating closely. (Ren Zhengfei, *Firm Belief and Strong Focus Lead to Greater Success*, in *Huawei People*, 263, January 2016: 6)

Role models are an additional channel for conveying Huawei's core values to local employees and have been the basis of many articles in *Huawei People* that feature local employees at overseas subsidiaries. Their stories exemplify Huawei's core values of customer-centricity, dedication, and perseverance. Such articles embrace the strategies of affirmation and moral exhortation in providing legitimation for Huawei's core values and for the role models of those core values. Extracts are given below:

We are here to deliver value to our customers, and the customer's success is Huawei's success. Living this core value is the engine driving me forward. (Local employee in Egypt rep. office, *Matching My Customer Anywhere*, in *Huawei People*, 276, March 2017: 18–19)

(In wartime Libya) our local employees formed into two groups – one stayed in Tripoli to maintain the government's networks, while the other went to Benghazi to maintain the networks of the opposition forces. Networks in other cities were maintained by Chinese staff we'd deployed locally … We are not afraid of sacrifices and have demonstrated our responsibilities to our customers. (*Meeting Minutes: An Insight, An Idea with Ren Zhengfei*, in *Huawei People*, 256, February 2015: 1–7)

Another manifestation of affirmation as a strategy for the legitimation of the contribution of role models as a means for conveying the core values has been the worldwide institution of Huawei's 'Future Star' Award (Tao et al., 2017), under which employees can be nominated by their peers to receive a badge that honours them as a role model of company values. Around half of all Huawei employees have received this award:

The Future Star Award aims to encourage every employee to identify their role models, strive for excellence, and make continuous progress … In Future Star I and II, more than 66,988 Future Stars were selected … This year, … 36,003 employees have been awarded the honour. (*Future Star Award III: Ongoing Event, Non-stop Inspirations*, in *Huawei People*, 276, March 2017: 15)

Mr. Ren has provided further moral exhortation in support of role modelling as a means of instilling core company values:

Don't think that our spiritual culture is just empty talk. It is about holding up role models to guide the team forward … people who have contributed to the company … Look at the role models around you. Benchmark yourself against them and learn from them! (*Minutes of a Meeting Between Mr. Ren Zhengfei and the General Manager and Other Managers of the China Region*, in *Huawei People*, 281, July 2017: 2–5)

The importance of Mr. Ren as an agent of legitimation. Mr. Ren has sought to confer legitimacy to all seven control mechanisms explained above, whether through the legitimation strategies of inducements, espousals of organizational benefits, moral exhortation, affirmation, or narrativization. External sources have claimed that Mr. Ren's power to provide legitimation derives from his charisma (e.g., *The Economist*, 2011; Li, 2006, Tao et al., 2017), his unique referent power as the founder of Huawei, and his right to veto decisions of the Board of Directors (Smith, 2016; Tao et al., 2017). One source of Mr. Ren's legitimizing power is that he has regularly disseminated his letters and texts of his speeches to employees, often through *Huawei People*, and often these communications are about practices that he has observed in the subsidiaries. It appears that Mr Ren is acutely aware of the power of his speeches and letters as vehicles of legitimation. As quoted by Zhao et al. (2020: 81), 'On average, each of his speech drafts has been revised

Table 5. Mr. Ren as a paternalistic agent of legitimation of the control mechanisms

Strategies of legitimation	Associated sources of Mr. Ren's paternalistic legitimating power	Associated themes
Espousal of organizational benefits	Mr. Ren is documented as having expressed concern about Huawei's fate through the years, even in good times. People know that he is serious about the need for control mechanisms to benefit the firm.	Benevolent autocracy
Inducement	Mr. Ren has often expressed concern that employees, especially the cadres, should receive the benefits that they deserve. The distribution of the fruits of Huawei's growth is a manifestation that Huawei has delivered on Mr. Ren's promises.	
Affirmation & Moral exhortation	Stories of Mr. Ren's devotion and frugality cast him as a moral exemplar. Mr. Ren's continuous travelling around the subsidiaries has given him worldwide exposure to the tribulations that they face; employees are likely to believe that he understands their sacrifices. He has made many speeches about employees' sacrifices and devotion and has written extensively about these in company memos, and letters.	Morality
Narrativization	Mr. Ren is perceived as a sage. He has lived Huawei's company history, and is portrayed as having deep understanding of military and industrial history, Chinese traditions, international business, and the ethos of successful technology firms	Credibility

more than fifty times before being delivered'. This painstaking attention to detail may have contributed to their impact. For example, an interviewee stated:

> Some years ago, we installed a Goddess [statue] in the Spanish subsidiary for decoration, but when our Mr. Ren saw it, he wrote an open letter to all employees, saying, 'We shouldn't spend money just for the sake of art since every penny comes from our customers'. (25CH)

Further illustrative comments, given below, about Mr. Ren indicate that while interviewees respected Mr. Ren's authority and wisdom, and perceived him as the core of Huawei's centralized power, they also expressed concerns about how Huawei would fare after his eventual departure:

> Our current management style simply depends on our boss [Mr. Ren]. He has all the power and authority, which is very similar to that of an emperor. (25CH)

> The founder is still with us. His great and strong influence is pushing the company to move forward. But if he is not there anymore and the company cannot have a good system, it will be over. (15CS)

> Mr. Ren created the corporate culture. If he retires, Huawei will go backward for sure. (20NS)

Table 6. Subsidiary responses

Issues	Interviewees' illustrative comments
Expected formal compliance	The HQ has absolute power over the subsidiaries, which is manifested in the strategic decision process. The subsidiaries need to follow the instructions from HQ to implement the strategies. (3CH).
Behavioural compliance	In my experience in as many as 8 different countries, I haven't encountered many difficulties when managing local people. (25CH).
	The [locals] were professional … I only needed to explain the risks and our main concerns to them. (24CF).
'Selling' on-the-table business deals to the HQ	Sometimes, if the subsidiary has a business opportunity, we try to convince our manager from China to make exceptions (to procedures). This is hard for us and it takes a lot of time, but once he is convinced, the HQ is OK. (17NS).
	Although it feels like we are being controlled a lot by the HQ … I deal with people in HQ, who are sometimes more flexible. (20NS).
Respect for Huawei's Chinese identity and the 'wolf culture'	There are some cultural differences, but it is important for somebody like me to be respectful for the Chinese company. (20NS).
	Chinese culture is difficult to be trained in, but if you have people working in Huawei for more than 5 years, they get the feel of it and they can work as a Chinese guy. (19NS).
	Although Huawei wants to develop 'wolf culture' in all foreign subsidiaries, not all local people can accept this culture and some would leave the company quickly. But at least the HQ requires locals to maintain fast responses to customer requirements. (28CF).
	[Locals here] have a bad concept about time. They have a saying, 'one second!'. But if they say, 'tomorrow', you are finished. (15CS).
Degree of adherence to customer-centricity	—— representative office believes in the concept of the customer as God … If we work more and work better, the customer will be happy … When the customers are happy, we are happy too, and … you get more projects. (17NS).
	The Chinese managers always tell customers 'Yes, yes, we can do that'. But I think it's better to say, 'Yes, but we have problems with this. Please help us solve it.' They over-promise. (12NS).
Long working hours unless protected by local legislation	We cannot avoid working overtime here. (13NS).
	Local employees are protected by laws in our country. We have a lot of advantages over the Chinese. [Local] employees have 5 weeks of holidays, protected by law. (11NS).
Acceptance of role modelling	There are six core values in Huawei … I can quote them out of the top of my head … My job is to work as an example of these core values … so my staff will see this and take this seriously. (20NS).

Table 6. Continued

Issues	Interviewees' illustrative comments
Difficulties in achieving mutual understanding	When communicating with local people, one main problem is the language. For those of us who are not good at (English) language, communication is a major barrier. (10CS).
	The main problem for Chinese cadres is that they speak poor English so they don't understand what customers say they want. (12NS).
Cases of misalignment	Local employees and the expatriates still find it difficult to understand each other … We share the common aim to make business for the global company, Huawei, but our mindsets are different. (11NS).

We may infer from these comments that there is a belief among employees that without Mr. Ren's presence the rhetorical statements that have been provided as legitimation for the seven control mechanisms may lose a substantial amount of their legitimizing power.

Subsidiary Responses

Next, we shall compare the apparent subsidiary responses with demand characteristics that are implied by the control mechanisms. Illustrative quotes from interviewees are given in Table 6.

Formal compliance. Huawei's subsidiaries are expected to adhere to HQ-stipulated edicts, mandates, policies, procedures, and standards, and interviewees perceived that the subsidiaries are generally responding as 'boy scouts' (albeit with varying degrees of eager-beaver-ness) rather than as 'subversive strategists' (Morgan & Kristenson, 2006). Such perceptions contrast with the high levels of conflict observed in some studies of subsidiaries of Western MNCs (Holm, Decreton, Nell, & Klopf, 2017; Morgan & Kristensen, 2006; Tempel et al., 2006). Many interviewees commented that the HQ normally exercises tight procedural control. The closest references to 'issue selling' by subsidiaries were mentions by two interviewees about how the most senior cadre at a subsidiary might ask the HQ for permission to waive a procedural step in order to clinch a specific, on-the-table business deal.

Respecting Huawei's Chinese identity and core values. Local interviewees mentioned their respect for the company's Chinese identity. They also voiced broad support for customer-centricity, although one of them expressed reservations about taking this to extremes. Interviewees indicated that the locally stationed cadres are extremely 'dedicated' in terms of working very long hours, and expect local

employees to do likewise, except in jurisdictions where the latter are protected by strict labour laws. Some local interviewees mentioned their own obligation to serve as role models.

Cases of misalignment. There were some isolated comments about misalignment between local employees and the cadres or HQ people, which mainly referred to difficulties in achieving mutual understanding. One interviewee and an item in *Huawei People* indicated that there had been cases of corruption at subsidiaries:

> We have a Chinese saying, 'when the mountain is high and the emperor is far away, we can do whatever we want'. There are certain areas that the HQ can't control. Corruption and other irregularities do exist in some subsidiaries. (26CF)

> All employees at the (Nepal) representative office gained an in-depth understanding of the company's ethics education and the spirit behind the policy of employee-wide oversight. Those who have made mistakes expressed their gratitude to the company for extending an opportunity for a fresh start and allowing them to turn the page to a brighter future without the burdens of the past. (Nepal OEC, *Bravely Ascending Everest Together: Relentless Long-term Improvement*, in *Huawei People*, 273, November 2016: 36–37)

DISCUSSION

Theoretical Contributions

Prior research has portrayed developed MNCs as 'a highly complex configuration of ongoing micro-political power conflicts at different levels' (Morgan & Kristensen, 2006: 1473) where 'political manoeuvring and power-laden conflicts are everyday occurrences' (Becker-Ritterspach et al., 2016: 3). If there are adversarial relationships vis-à-vis subsidiaries, HQ may seek to subjugate subsidiaries by withholding critical resources and capabilities (Bouquet, Birkinshaw, & Barsoux, 2016; Brenner & Ambos, 2013; Chen et al., 2012). However, an imposition of HQ-centric control of this kind, which ignores the specificities in subsidiary contexts (Ciabuschi et al., 2012; Nell & Ambos, 2013), and which, we infer, is likely perceived by subsidiaries as coercive and lacking legitimacy, is likely to provoke further subsidiary resistance (Balogun et al., 2011). In such cases, subsidiaries may, in an ongoing struggle with the HQ, act as 'subversive strategists' (Morgan & Kristensen, 2006), striving for more autonomy and resource transfer from the HQ to enhance their own competitiveness vis-à-vis other subsidiaries and strengthen their links with local stakeholders (Holm et al., 2017; Mudambi & Navarra, 2004).

    Our qualitative case study calls the universality of the above assertions into question, drawing on primary interviews and extensively sourced documentary

evidence to illustrate how a Chinese MNC, Huawei, has been able to achieve subsidiary cooperation. While it is possible that subsidiary cooperation has been achieved by the control mechanisms alone, reflecting the resource dependency on the HQ of subsidiaries that are nearly all greenfield in origin, the rhetorical statements of the HQ imply that subsidiary cooperation could not have been achieved and maintained unless comprehensive legitimation had been provided for each of the control mechanisms. In particular, we consider that the HQ has been able to create and maintain the legitimacy of its control mechanisms by implementing strategies of legitimation enacted and reinforced by the founder as a paternalistic agent.

In analyzing Huawei's paternalistic approach for legitimizing HQ controls as its distinctive 'ways of organizing' (Kostova et al., 2016: 182), we make two contributions to advance the body of nascent knowledge about Chinese MNCs. Our first contribution sheds light on the legitimation of HQ controls in the context of Chinese MNCs. Under the challenge of gaining internal legitimacy (Balogun et al., 2019), there is a growing concern among IB scholars about achieving better alignment of interests and actions between HQ and subsidiaries through the design and deployment of an effective control system (Harzing, 1999; Jaussaud & Schaaper, 2016). However, as noted by Sageder and Feldbauer-Durtmuller (2019), 'Some control mechanisms appear to lack legitimacy in host countries and, therefore, may not lead to desired results' (901). A challenge for Chinese MNCs, which are known to suffer from legitimacy deficits due to the liabilities of origin (Chintu & Williamson, 2013), foreignness (Child & Rodrigues, 2005), and outsidership (Schaefer, 2020), thus appears to be that of establishing the right to govern (Courpasson, 2000) through legitimation.

A distinctive feature of Huawei's legitimation strategies relates to the role of paternalistic agent of legitimation performed by Mr. Ren in conveying and reinforcing legitimating discourse[1] among foreign subsidiaries (Kostova & Roth, 2002; Kostova & Zaheer, 1999). In Huawei, Mr. Ren's achievements as both founder and CEO in guiding the company through various crises to attain its current outstanding performance has conferred him strong power and authority as an agent of legitimation. He has drawn on salient knowledge, a reservoir of goodwill within the firm, exemplary conduct, and a platform for moral exhortation and narrativization to provide a rich set of legitimating discourses that invoke benevolent autocracy, morality and credibility as his paternalistic leadership footprint (Farh & Cheng, 2000). We consider that Mr. Ren's concern for the long-term survival and success of Huawei, in conjunction with his espoused concern that employees should receive the benefits that they deserve in return for their dedication to the firm that he founded, are expressions of paternalistic leadership. The use of multiple statements of legitimation, in conjunction with Mr. Ren's paternalistic legitimating power (Table 5), appear to have invoked a discursively created sense of acceptance of the cognitive, moral and pragmatic legitimacy of the HQ's controls,

and support the continuation of relatively harmonious HQ-subsidiary relationships and cooperative subsidiary responses (Figure 2).

By highlighting Mr. Ren's paternalistic legitimating power in Huawei, we aim to illustrate the amplifying role of a powerful individual actor as an agent of legitimation 'among various kinds of micro-level processes and practices creating senses of legitimacy/illegitimacy' (Vaara, Tienari, & Laurila, 2006: 791) in MNCs. Alongside the discursive strategies adopted for legitimizing corporate actions (Balogun et al., 2019; Vaara & Tienari, 2008), the prevalent assumption is that either the HQ (Brenner & Ambos, 2013) or particular subsidiaries (Pant & Ramachandran, 2012) are the focal units involved in the legitimation process, without giving much consideration to the legitimating power of individual actor(s). Since legitimation is a discursive practice involving the evaluative and cognitive dimensions between sender and receiver (Vaara & Monin, 2010), the credibility and trustworthiness of the author-cum-spokesperson, who is conveying those legitimating statements may determine the receivers' overall judgement whether 'the actions of an entity are desirable, proper, or appropriate' (Suchman, 1995: 574).

In the case of Huawei, in addition to the textual strategies that we have analyzed, Mr. Ren as a paternalistic agent appears to provide strong authorization in shaping and driving the discursive side of the legitimation of the HQ's controls over the subsidiaries as well as the operators of those controls. In light of the continuing importance of Confucian values in Chinese organizations (Mak, Snell, & Hong, 2020), we consider that the role of the founder and/or CEO as a key agent of legitimation is likely to be an important phenomenon in other Chinese firms, which future research could investigate further.

Our second contribution serves to uncover a nuanced set of strategies of legitimation adopted by a Chinese MNC for achieving subsidiary cooperation.[2] By delving into the specific legitimating statements underpinning each control mechanism, we are able to identify how a Chinese HQ facing legitimacy deficits in host countries can induce compliant behaviours in foreign subsidiaries. In Huawei, we found that the HQ appeared to have been successful in implementing its social, output and process controls over its subsidiaries without strong political contestations. The main factor, as we have shown in the findings section above, is that the HQ has adopted a combination of various legitimation strategies for establishing pragmatic, moral and cognitive legitimacy of the control mechanisms (Figure 2).

Depending on the characteristics of particular control mechanisms, the HQ was deploying aligned sets of rhetorical statements as means for legitimation. For example, as shown in Table 3, the HQ was relying exclusively on espousals of organizational benefits to seek pragmatic legitimacy for its output controls, i.e., its system of KPIs with associated rewards and punishments. In contrast, in relation to the process controls, the HQ was supplementing espousals of organizational benefits with moral exhortation as a combined approach for legitimizing the imposition of strict standard operating procedures, and was supplementing
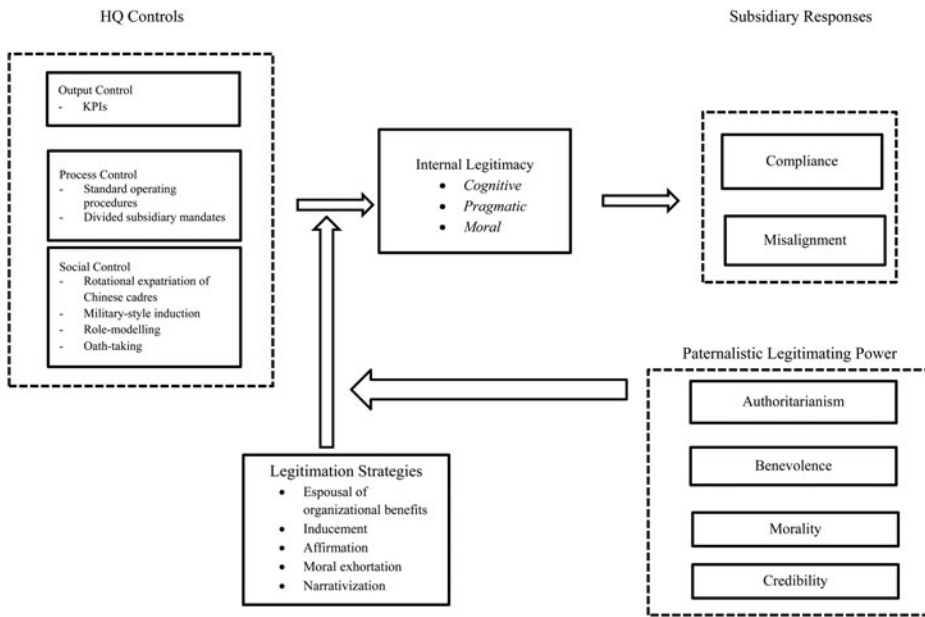
Figure 2. Legitimation of HQ controls in a Chinese MNC

espousals of organizational benefits with narrativization as a combined approach for legitimizing the institution of divided subsidiary mandates. Such supplementation may reflect that the actual organizational benefits of the process controls may not be directly observable by those working in the subsidiaries. Similar reasoning may account for the supplementation of espousals of organizational benefits with various additional strategies of legitimation for the social controls, the organizational benefits of which may not be directly observable by those working in the subsidiaries. As shown in Table 5, Mr. Ren has been providing authorization for the HQ's suite of output, process, and social controls as the principal paternalistic discursive agent of the five strategies of legitimation.

Moreover, our categories of legitimation strategies go beyond the existing typologies (Balogun et al., 2019; Vaara & Tienari, 2008) by providing a nuanced understanding of how the complex internal legitimacy challenge for an HQ can be overcome in a Chinese MNC. While rationalization merely concerns 'the utility of specific actions based on knowledge claims that are accepted in a given context as relevant' (Vaara & Tienari, 2008: 988), espousal of organizational benefits and inducement together direct benefit appeals to both the firm and individual members in favour of accepting and adopting one or more aspects of a particular control mechanism. In addition to seeking to elucidate 'the specific value systems that provide the moral basis' for organization members' actions, we further differentiate whether their corresponding behaviours are framed as effective (affirmation) or virtuous (moral exhortation).

Practical Implications

We have already noted the importance of the sequence of Huawei's foreign expansion, which began by accumulating international exposure and core competencies in peripheral markets, thereby boosting the HQs' credibility as a centre of command and expertise prior to entering more developed countries. In addition, Huawei has embraced three distinctive guiding principles that serve as reference points for managers in other emerging MNCs, seeking to enhance the legitimacy of HQ controls.

First, as a privately owned enterprise, Huawei has been able to adhere to a long-standing policy of growth through internal development without exposure to the short-term pressures of capital markets for corporate control. With a long-term investment horizon and strong support from employee stockholders, Huawei has been able to develop a plethora of control mechanisms and means of legitimation over time to maintain the hold and legitimacy of HQ domination while also maintaining subsidiary cooperation. This overall system of controls and means of legitimation appears to have prevented the political contestation and legitimacy challenges that other Chinese MNCs have faced. Second, Huawei has strengthened the HQs' control with the use of heavily socialized expatriates as both cultural emissaries and learning agents for the HQ. Third, Huawei has separated the mandates and reporting lines of its sales and service subsidiaries from those of its R&D units as another means of maintaining overall control over its overseas R&D activities and experts.

In essence, Huawei's case demonstrates an apparently successful paternalistic approach to legitimation, as compared with the more rapid expansion models that other Chinese MNCs have adopted. The latter appear to have modelled themselves on the expansion path of Western MNCs, but as cases such as TCL demonstrate, these may lack sufficient cognitive, moral, and pragmatic legitimacy to establish acceptable HQ control. It is possible that embracing some or all of the legitimation strategies that are being adopted by Huawei might be helpful to other HQs in overcoming barriers to post-acquisition integration.

Limitations and Future Research

Our study has five major limitations. The first arises from Huawei's reputation as a national champion for China (Sun, 2009; Tao & Wu, 2015; Wu et al., 2020). While focusing on Huawei as an instrumental case study (Yin, 1994) has enabled us to develop a detailed and contextualized account of the HQs' legitimizing strategies, our analysis may be prone to the problem of 'left censoring' (Lewin, Välikangas, & Zhang, 2020: 54) in the absence of systematic comparisons with other leading Chinese MNCs (e.g., Haier, Lenovo, Alibaba). Since Huawei may have possessed many idiosyncratic elements (e.g., 'wolf culture', organic growth model, employee stock option plan), we advise caution about generalizing to all

Chinese MNCs (Murmann, 2020a). We concur with Lewin et al. (2020) that Huawei's success can, to a large extent, be attributed to Ren Zhengfei as both a 'thought leader' and 'strategist' guiding the evolution of company since its inception. That said, our study may still serve as a means for deeper understanding of how other Chinese MNCs may combine the iconoclastic leader's paternalistic legitimation power (e.g., that of Haier's Zhang Ruiman, or Lenovo's Lui Chuanzhi) with other HQ-based controls and means of legitimation thereof vis-à-vis foreign subsidiaries, with a view to establishing cooperation of the latter with the HQ.

Second, unlike in other studies that have been facilitated and supported by Huawei (Tao et al., 2017; Wu et al., 2020), we were only able to contact a small sample of conveniently accessed, and possibly unrepresentative, interviewees. Without Huawei's formal approval and arrangements, our access to interviewees was rather limited and restricted to informal contacts through snowball sampling. In this regard, those non-Chinese staff from foreign subsidiaries among our interviewees were probably high-performers, handpicked for their annual visits to the HQ (Hu & Murmann, 2020). They may have been more receptive than other employees to the unique social control mechanisms adopted by Huawei's HQ (e.g. military-style induction) and more inclined to consider them as legitimate. Nonetheless, in order to mitigate the potential sampling bias and enhance validity, their perceptions were subsequently triangulated with both internal and external documentary sources (see Table 2) for comparison.

Third, we realize that there are questions about the applicability of western theories in the Chinese context (Plakoyiannaki et al., 2019). Unlike western MNCs, in which 'geographic distance and cross-border tensions' (Balogun et al., 2019: 225) make HQ-subsidiary relationships susceptible to intra-organizational conflicts and politicizations (Morgan & Kristensen, 2006), such tension has seldom been observed in the context of Chinese MNCs. We were, nonetheless, initially puzzled by the apparent scarcity of reported misalignment behaviours involving foreign subsidiaries in Huawei. Embracing a mindset of critical self-reflection (Win & Kofinas, 2019) enabled us to review and modify our theoretical assumptions by drawing on Chinese paternalistic leadership theory (Farh & Cheng, 2000) to inform our understanding of Ren Zhengfei's considerable power as a key agent of legitimation.

Fourth, we have focused on internal control mechanisms and their legitimation in a Chinese MNC without much consideration of the need for external legitimacy-seeking behaviours in host country contexts. Given the challenge of institutional duality (Kostova & Zaheer, 1999) for emerging MNCs, aiming only at internal legitimacy building may neglect how their subsidiaries can resolve external legitimacy issues (Pant & Ramachandran, 2012). Notwithstanding this caveat, since most internal controls are likely to be hidden inside 'black boxes' vis-à-vis external stakeholders, external legitimation, such as endorsement by outside agencies (Scott, 2001), may play a very limited role in the overall legitimation of the

internal controls. To the extent that external stakeholders do not complain (e.g., 'long-winded procedures') we can infer that the absence of criticism or complaints by external stakeholders combined with good market performance constitutes a kind of indirect external legitimation. For example, Huawei HQ's insistence on instilling its core value of customer-centricity onto its social, process and output controls could at least address the concerns of their customers, which constitute a major external stakeholder group.

Fifth, until this point, we have not addressed ethical issues that may be associated with the adoption of a comprehensive and heavily legitimized set of output, process and social control mechanisms. For example, the rotational posting to the subsidiaries of Chinese cadres, who are bound by the 'striver pledge' is embedded in a broader employment relationship, based on employee share ownership and subject to strict performance management, which Lewin et al. (2020: 59) characterize as 'Machiavellian'. While throughout this article we have characterized Mr. Ren as a paternalistic leader, one may ask whether his leadership approach might be more accurately characterized as 'pseudo-paternalistic' and the associated psychological contract with employees as Faustian, involving the trading away of well-being. Although Murmann (2020b: 16) claims, 'people who want a more balanced lifestyle simply leave', this may not be so easy to do in the context of heavy socialization. In thrall to Mr. Ren, the 'strivers' may be impelled to abandon work-life balance in pursuit of material gains and the trappings of achievement. Thus we suggest as a question for further research: To what extent are the control systems at Huawei rendered so powerful through their combination and legitimation that they overwhelm and suppress employees' sense of need for well-being?

CONCLUSION

In conclusion, we have provided specific insights into heavily legitimated power asymmetries between a dominant HQ and its cooperative overseas subsidiaries in a Chinese MNC. Questions are nonetheless being asked within Huawei, including by Mr. Ren himself (Sun & Zhang, 2015), and by industry observers, about the sustainability of Huawei's (pseudo)–paternalistic model of legitimation for HQ-centric control (Su & Chen, 2014). Future research could investigate other types of Chinese MNCs under various ownership structures, across a wide spectrum of internationalization strategies (Child & Rodrigues, 2005), to analyze their control mechanisms vis-à-vis subsidiaries, their means of legitimation, and the impact thereof on HQ-subsidiary relationships. Furthermore, conducting ethnographic studies at particular subsidiaries (e.g., Hensmans & Liu, 2018), about the processes of their co-evolution with external stakeholders in host countries would potentially generate insights into the dynamics of legitimacy building by those subsidiaries within their dual institutional contexts.

NOTES

[1] We would like to thank an anonymous reviewer for this 'reinforcer' idea.
[2] We would like to express our gratitude to the Editor for this insight.

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