Università degli Studi di Padova

Department of Economics and Management

Master Program in Management for Sustainable Firms

FAMILY FIRMS AND HRM

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Academic Year 2025/2026

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Firma 

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INTRODUCTION & SUMMARY

THE PURPOSE OF MY DISSERTATION. The purpose of this dissertation is to explain how HRM works in Chinese family firms when personal relationships and formal rules operate together, and why this becomes harder to manage as expectations around ESG and responsible people management grow. The guiding research question of the thesis is therefore: how do relational and formal HRM logics coexist in Chinese family firms, how does this balance vary across HR processes, and what role does ESG pressure play in making this hybrid arrangement more or less credible? This question works as the anchor of the thesis: each chapter develops one part of the answer, and Chapter 5 brings the strands together into a final mechanism-based explanation.

Research on Chinese family firms often starts from a familiar contrast: informal, relationship-based management versus formal, rule-based systems. This contrast captures an important tension, but it can also simplify the reality inside firms. In many cases, the same firm uses both approaches, and the real issue is how the balance is set in different HR areas, and what this means for employees. This dissertation takes the view that "hybrid HRM" is not just a label. It refers to a practical situation in which some HR decisions are handled through trust, discretion, and insider ties, while other decisions are expected to follow clear standards, written procedures, and records. The key questions therefore become: where rules must hold, where exceptions are tolerated, and whether employees experience the system as fair and safe. These questions matter because employees do not judge HR only by what is written in policies. They judge it by whether pay, promotion, protection, and complaint handling are predictable, and whether speaking

up is safe. A second reason for this study is that ESG-related pressure is changing what counts as credible HRM. Even when everyday management still relies on relational authority, external audiences increasingly expect evidence: training coverage, protection routines, grievance steps, and basic inclusion and voice arrangements. This can support better minimum standards, but it can also create a gap between what firms report and what employees experience. For Chinese family firms, this is a sensitive issue because family control often depends on discretion, while ESG pressure pushes in the direction of documentation and consistency. To address this problem, the dissertation is developed as an integrative literature review with narrative synthesis. The aim is not to calculate a single effect size, and not to claim that all publications have been covered. The aim is to connect several research conversations into one clear explanation of *why* different mixes of relationships and rules appear, *where* they tend to appear in HR, and *when* they become stable or contested.

An integrative review is used because the research questions sit across literature streams that do not easily fit into one narrow review method: Chinese family-firm governance and culture, HRM formalization and professionalization, employee outcomes such as justice and voice, and ESG-linked people management. A narrative synthesis is then used to connect evidence into mechanism links (for example, how a hiring approach shapes fairness perceptions and voice, or how ESG visibility changes enforcement routines).

The scope is set deliberately. The review focuses on Chinese family firms and closely comparable Chinese settings were family control and relational governance shape HR decisions. It also focuses on HR areas discussed in this thesis: recruitment and selection; training, development and succession; compensation and employee relations/voice; and ESG-linked people management, including employee protection, inclusion and voice, and green HRM (with a specific focus on environmental training). The thesis does not aim to provide a full review of all ESG practices or to evaluate firm-level ESG performance outcomes. The method also has limits. Google Scholar and iterative searching make it difficult to claim full reproducibility of rankings and hit counts. Narrative synthesis also involves interpretation, especially when combining studies that use different terms and measures. For this reason, the dissertation builds credibility through clear boundaries, explicit inclusion rules, a consistent coding template, and an auditable core evidence set

(reported in Appendix A), supported by the main search strings and date stamps (Appendix B). The thesis therefore aims to be transparent and checkable, even if it does not claim full exhaustiveness.

CHAPTER 1. Chapter 1 introduces the research focus and explains why Chinese family firms provide a distinctive setting for HRM. It clarifies the basic context and defines the key terms used throughout the dissertation. The chapter also introduces the central lens of the thesis—relational, formal, and hybrid HRM—and explains why the thesis does not treat HRM as either "informal" or "formal," but as a mix that can vary across HR areas. The chapter closes by setting up the problem that guides the rest of the dissertation: understanding how this mix is built, how it changes as firms grow, and how it is evaluated by employees in terms of fairness, protection, and voice.

CHAPTER 2. Chapter 2 develops the foundations that explain the patterns reviewed later. It connects cultural and institutional perspectives with family business theory to show why relationship-based HR practices can remain legitimate and effective in many Chinese contexts, and why families may still choose to introduce more formal routines in specific areas. The chapter brings together these explanations into one line of reasoning that can be applied across HR processes. The aim is not to present theories as isolated blocks, but to build a shared logic for later chapters: families may rely on discretion to protect trust and control, while formal routines become more important when decisions are visible, contestable, or risky for employees and for reputation.

CHAPTER 3. Chapter 3 moves from explanation to HR practice. It reviews how the literature describes the mix of relationships and rules in three core HR processes: recruitment and selection; training, development and succession; and compensation and employee relations/voice. These areas are used because they show the clearest trade-offs between trust-based control and rule-based fairness. Across the three processes, the chapter keeps the same focus: where rules are strict, where exceptions are common, and how this shapes employee outcomes, especially fairness perceptions and willingness to speak up. By the end of the chapter, the thesis has a clearer picture of how hybrid HRM differs across HR areas rather than treating it as one general system.

Chapter 4. Chapter 4 examines how ESG-related pressure affects this HR mix. ESG is treated as a condition that raises demands for visible evidence in people management. This can push firms to strengthen minimum standards in employee-facing areas, such as protection routines, complaint handling, and training. At the same time, it can increase the risk of gaps between written policies and daily enforcement, especially when firms focus on what is easy to record rather than what is consistently delivered. The chapter focuses on ESG-linked people management themes that connect directly to the thesis argument: employee protection, inclusion and voice, and green HRM, with particular attention to environmental training and how it becomes credible only when it is supported by wider HR routines.

Chapter 5. Chapter 5 explains the review method and then draws the discussion together. It sets out how studies were identified, screened, and coded, and how evidence was synthesized across chapters. It then summarizes the main findings, presents the integrative framework that results from the review, and discusses implications and limitations. The chapter closes by identifying the most important areas where future research is needed, especially research that connects ESG claims with employee experience and that examines how exceptions and enforcement work inside firms.

Managerial Implications. Although this dissertation is literature-based, it points to practical implications that follow from the evidence. The thesis does not suggest replacing relationship-based management with full formalization. Instead, it suggests that Chinese family firms are more likely to build trust when they are clear about where minimum standards must hold and when flexibility is acceptable. Employee-facing areas—such as pay progression, promotion criteria, complaint handling, retaliation protection, and basic safety routines—often become the most direct tests of credibility. ESG pressure can support improvement by increasing attention to these routines, but only when enforcement is consistent and does not depend on insider status.

Acknowledgements. I would like to express my heartfelt gratitude to my supervisor, Professor Alessandra Tognazzo, for her guidance, patience, and constant support throughout the writing of this dissertation. Her insightful feedback, encouragement, and generosity with her time have been incredibly important to me during these months.

I am also sincerely grateful to the University of Padova, the Department of Economics and Management “Marco Fanno”, and all the professors I had the opportunity to learn from during my studies. Their teaching has shaped not only my academic path, but also the way I observe and understand the world.

My deepest thanks go to my family, for their unconditional love and support. They have always been my safe place, giving me strength in difficult moments and sharing every joy and achievement with me. Without them, this journey would not have been the same.

I would also like to thank my friends, who made these years brighter and lighter with their presence, care, and friendship. Their encouragement, laughter, and companionship helped me more than words can say.

Finally, I am grateful to everyone who, in different ways, stood by me during this journey and contributed to the completion of this dissertation. This achievement is also yours.

1. CHAPTER

CONTEXT AND KEY CONCEPTS: CHINESE FAMILY FIRMS AND HRM

1.1 Introduction

Chinese family firms are often described as relying on relationships rather than rules. This description captures part of reality, but it also hides the main issue this thesis addresses: under family control, HR decisions are rarely purely informal or purely formal. In practice, relational discretion and formal routines coexist, and the key question becomes where rules are made binding, where discretion is kept, and how employees experience the result in terms of fairness, protection, and willingness to speak up.

Chapter 1 sets the stage for this argument. It clarifies the thesis focus and core terms, introduces the relational–formal–hybrid HRM lens as the organizing framework, and explains why the Chinese family-firm context makes hybridity a likely outcome rather than an exception. The chapter closes by outlining how the thesis moves from context (Chapter 1), to mechanisms (Chapter 2), to HR processes (Chapter 3), and finally to ESG as a pressure that makes HR credibility and gaps more visible (Chapter 4).

1.2 Concept of Chinese “family”

Chinese families can be conceptualized as: a social unit where Confucian values define member roles and cohesive relationships; an economic unit where living members collectively produce and consume resources; a cultural unit that performs specific anthropological rituals (such as ancestor worship) to ensure the well-being of both the living and the deceased (L. Chen et al., 2021)

Historically, Chinese culture has been rooted in family ties. The family was the starting point—the most important group in a person's life. It shaped not just social and home life, but also business, culture, and even politics. This deep focus on family has left its mark

on every part of Chinese society. That's why traditional family values became the natural foundation for family-run businesses in China. The way these businesses are run isn't based on modern ideas of professional roles. Instead, it follows the old family rules of who is closer or more distant and who holds authority. What holds the business together isn't a formal contract, but the personal bonds of kinship.

China's long history as a farming society made the family even more central. Working the land required a small, stable group that could cooperate over the long term, and the family was the perfect fit. Because of this, protecting the family, keeping it united, and making sure it continued became everyone's main goal. This created a habit of thinking and acting as a family unit, not just as individuals. People dealt with the world as part of a family, and personal needs came second to the family's needs. In this kind of setting, a family business isn't just a company; it's an extension of the family itself. Its culture is all about putting the group first, making decisions for the family's good, and staying true to that collective spirit. This historical family-centred logic provides a useful starting point for defining Chinese family firms in contemporary research.

1.3 Chinese "family" firms

1.3.1 Definition, prevalence, and governance traits

Chinese family businesses are a backbone of China's private economy, but they are not all the same. In this context, a Chinese family firm means a company where a family owns the controlling share and has strong influence on major strategy and governance decisions. This often happens because family members hold top management roles or sit on the board. This broad definition matches the way family business governance has worked in China for a long time, since the family has been a basic unit for production, authority, and passing wealth from one generation to the next (L. Chen et al., 2021).

This historical view also shows that "family governance" is often not just one option. For many entrepreneurs, it is the usual starting point. Chen (2021) explains that China's institutional and market context can make family control a practical choice. Strong competition and close administrative control can push entrepreneurs to use family governance as a trusted way to coordinate. So, this is not only about culture. It can also be a direct response to uncertainty, higher costs of making deals, and the need to make decisions quickly (L. Chen et al., 2021).

Common governance traits in Chinese family firms include concentrated ownership, owners and managers being the same people, and strong power held by the founder or a small group of senior family members. At the beginning, these traits can bring speed and unity. But as the firm grows, they can also create tensions in governance. This is especially true in areas that need stable rules and a sense of fairness, such as hiring, promotion, performance evaluation, and pay decisions. These tensions usually become clearer when the firm becomes more professional (for example, when it hires non-family managers, sets up formal HR systems, or uses more standard procedures) and when succession starts, because leadership and ownership begin to pass to the next generation (L. Chen et al., 2021).

Because of these features, human resource management in family firms is not just an administrative "support function." In Chinese family firms, HRM is one of the main ways the family uses and shows its control, and employees can feel it in daily work. Daily choices about recruitment, internal moves, rewards, and discipline show what the firm values—family loyalty, competence, fairness, or a mix of these. For this reason, in this thesis, Human Resource Management (HRM) is treated as a key link between family governance and organizational outcomes.

1.3.2 Cross-cultural comparison

Building on the governance traits described above, HRM becomes the most visible interface through which family influence is translated into everyday decisions about hiring, promotion, evaluation, and rewards (Flamini et al., 2021). For this reason, HR topics are also where employees most clearly experience family control in daily work. In family business research, key ideas such as professionalization, fairness, merit-based selection, and formal HR systems were largely theorized in Western settings (Casprini et al., 2024). A cross-cultural comparison is therefore needed, not to essentialize cultures, but to explain why similar HR practices can carry different meanings and lead to different outcomes across contexts. In many Western organizations, written rules and formal procedures are treated as a strong basis for acceptance: clear hiring criteria, transparent promotion paths, structured appraisal processes, and grievance channels are expected to guide decisions and limit discretion (Burhan et al., 2020).

By contrast, formal systems are also common in Chinese family firms, and they often expand as firms grow. Yet the practical weight of these systems is often judged through

everyday experience rather than through the policy text itself (Casprini et al., 2024). They look at whether rules are applied consistently, whether they limit arbitrary decisions, and whether commitments are actually honoured. In more person-centred settings, employees judge HR rules through day-to-day signals rather than the policy text: They pay close attention to practical cues: who gets access to decision-makers, how information is shared, and whether opportunities depend on personal connections (J. Xu et al., 2020). For this reason, a policy can appear "modern" on paper but still be met with caution if it is enforced unevenly. By contrast, a less formal arrangement may be accepted when it is predictable and supported by trust.

Another point of contrast is the way "family" and "organization" are separated—or not separated. Western discussions of professionalization often present separation as a norm. Roles should be defined by job responsibilities, and personal ties should not dominate key decisions. Bringing in external managers and building formal governance are usually linked to efficiency and fairness. In Chinese family firms, the family is not only an ownership group. It can also function as a social base for trust, obligation, and long-term reciprocity. In practice, the firm may operate in a family-embedded way, where loyalty and relational duties support coordination. This can make referral hiring, context-sensitive evaluation, and reward practices that include care and return feel reasonable. At the same time, a more permeable boundary can create a clear downside: employees outside the family may suspect that ability and performance are not the only drivers of promotion. Burhan (2020) presents a straightforward chain of reasoning: When individuals perceive an organization as engaging in nepotism or favoritism, it reduces their sense of fairness and overall organizational justice. This effect is particularly obvious among those who feel excluded from the inner circle or lack family connections. Relational closeness and entry into inner circles may also shape access to information and opportunities. When that happens, perceptions of fairness, predictability, and commitment can weaken (Burhan et al., 2020).

Authority and communication norms also play a role. In many Western workplaces, giving feedback and raising concerns is relatively normal, and open disagreement is often framed as part of professional work (Morrison, 2022). In settings where hierarchy and harmony are more strongly valued, speaking up can be costly and may risk relationships, face, or future opportunities. This pressure can increase in family-governed firms, where

key resources are closely connected to a small group of decision-makers. Employees may then choose careful wording or silence. For this reason, having formal channels is not enough on its own. What matters is whether people feel safe using them and whether the team climate supports open discussion (J. Xu et al., 2020).

Overall, this comparison is meant to set the scene for the rest of the chapter. Culture does not dictate a single HR model, and firms still make choices. But cultural context shapes the conditions under which different choices become credible and workable. In particular, it affects how much employees trust rules, how strongly family boundaries influence opportunities, and how difficult it is to speak up inside hierarchical relationships. The next section builds on these points by discussing the cultural and institutional mechanisms that make this coexistence possible in Chinese family firms—relationship networks, paternalistic authority, and the interaction between informal norms and formal rules—so that later chapters can interpret professionalization and HR implementation in a context-sensitive way.

To keep this comparison clear, Table 1 below summarizes the main differences that matter for HRM in family firms. They are used here to explain why similar HR practices can be understood and experienced differently across contexts.

Table 1 Main cross-cultural differences

COMPARISON DIMENSION	COMMON EMPHASIS IN WESTERN LITERATURE	COMMON EMPHASIS IN CHINESE FAMILY-FIRM CONTEXT	HRM IMPLICATIONS
Rules and procedures	Written rules and standard procedures are expected to guide decisions and limit personal discretion; fairness is often linked to applying the same procedure to everyone.	Formal rules may exist, but employees often judge them by daily practice: whether rules are enforced, whether they are applied evenly, and whether they really limit arbitrary decisions.	The same HR system can be trusted in one context but doubted in another; what matters is consistent use, not only written design.
Family–business boundary	Professionalization is often linked to clearer role separation and more impersonal decision-making (less reliance on personal ties).	The firm may operate in a more family-centred way; loyalty and long-term obligation can be treated as normal parts of coordination.	Hiring and promotion may be seen as shaped by both performance and relationships; this can create insider–outsider concerns and affect fairness and commitment.
Authority and communication	Giving feedback and raising concerns can be seen as normal work behavior (though it varies by organization).	Hierarchy and harmony norms can make speaking up feel risky, especially when authority is personal and decisions depend on key individuals.	Formal channels are not enough; employees need to feel safe to use them, otherwise silence becomes a rational choice and problems stay hidden.

Trust and coordination	Trust is often supported by systems, contracts, and formal accountability.	Trust often relies more on relationships, reputation, and reciprocity.	Less formal practices may still work if they are predictable; formal rules lose trust when they are applied selectively.

1.3.3 Applying a cultural framework: Erin Meyer's The Culture Map

The comparison in Section 1.3.2 shows that HR practices do not work in the same way across contexts. A written rule may look fair and reliable in one setting, but feel weak in another if employees judge it mainly through daily enforcement, access to key decision-makers, and whether promises are kept in practice. This is central to this thesis because the focus is not only on whether Chinese family firms adopt HR policies, but also on how those policies are used and how employees experience them.

To clarify these differences, this thesis draws on Erin Meyer's The Culture Map. Meyer compares cultures through an eight-scale model based on everyday workplace behavior: how people communicate, give negative feedback, persuade, lead, decide, build trust, disagree, and manage time (Meyer, 2014). This fits the purpose of the thesis because it helps explain a common situation in family firms: HR systems can look formal on paper, yet still operate through relationships in practice. It also helps explain why "hybrid" designs—formal rules combined with relational flexibility—can be stable solutions rather than a temporary stage.

Figure 1 The Culture Map: Eight behavioral scales

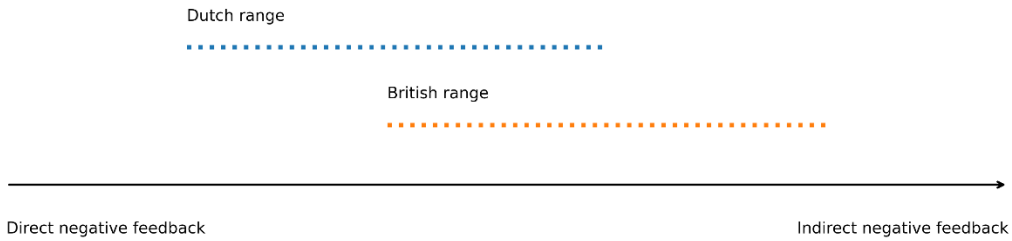
Scale	Endpoints (left → right)
Communicating	low-context → high-context
Evaluating	direct negative feedback → indirect negative feedback
Persuading	principles-first → applications-first
Leading	egalitarian → hierarchical
Deciding	consensual → top-down
Trusting	task-based → relationship-based
Disagreeing	confrontational → avoids confrontation
Scheduling	linear-time → flexible-time

Source: Adapted from (Meyer, 2014)

Meyer's model is especially useful because it is relative, not absolute. She does not suggest that a culture is simply "direct" or "hierarchical." Instead, she argues that misunderstandings often come from the distance between cultures on each scale. She also notes that people in any culture have a range of acceptable behaviors and choose within that range depending on the situation (Meyer, 2014). This point matches family business

research well: Chinese family firms differ by generation, size, and professionalization stage, so culture should be treated as a source of tendencies rather than a rigid rule.

Figure 2 Cultural ranges and overlap (illustration of cultural relativity)



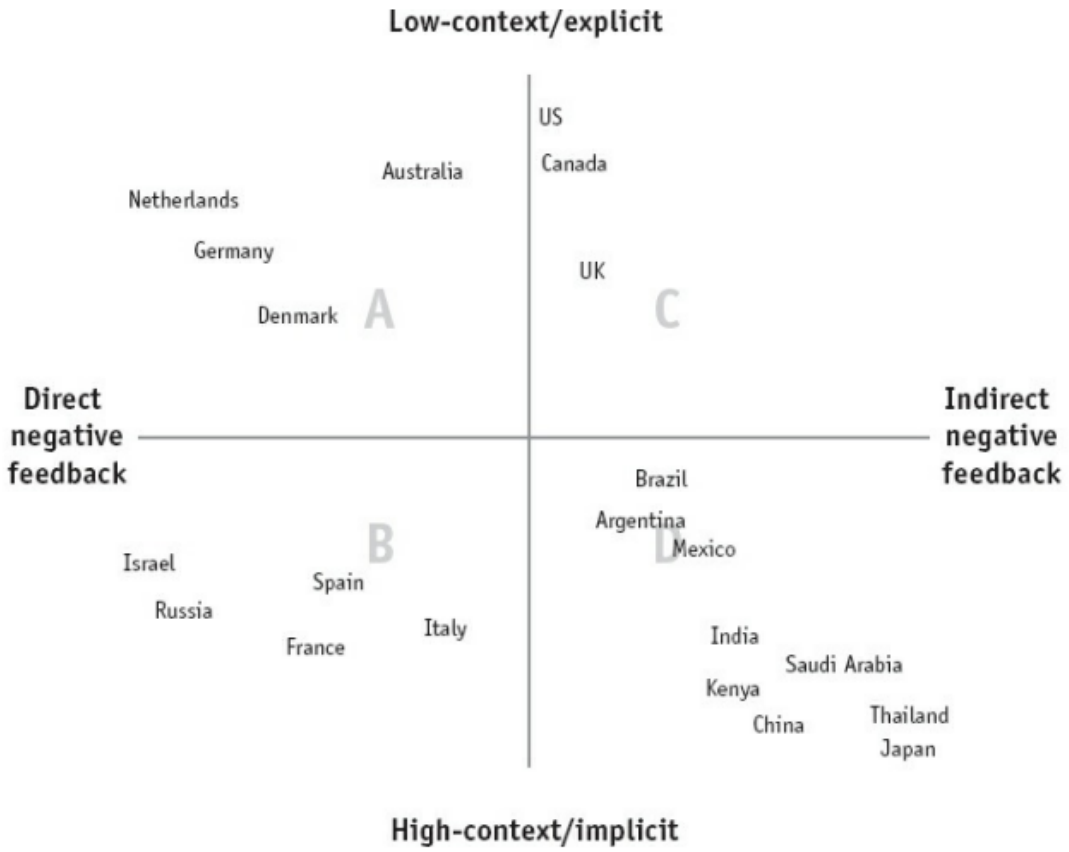
Source: Adapted from (Meyer, 2014)

Among Meyer's eight scales, three areas connect most directly to HRM in family-governed firms. The first is how trust is built (task-based versus relationship-based trust). Meyer shows that in relationship-based cultures, cooperation often depends on personal bonds and long-term reciprocity. This helps explain why referral hiring, loyalty signals, and relational coordination can be effective in Chinese family firms, especially under uncertainty (Meyer, 2014). At the same time, it also highlights a clear risk: strong relational trust can create sharper insider–outsider boundaries. When opportunities depend heavily on relationships, non-family employees may doubt whether pay, promotion, and rewards follow transparent standards.

The second area is authority and decision power. Meyer distinguishes between cultures where leadership is more egalitarian or more hierarchical, and where decisions are more consensual or more top-down (Meyer, 2014). In family-controlled firms, this matters because it shapes whether employees believe that formal HR rules truly limit leadership discretion. Even when a company introduces written criteria for recruitment or appraisal, employees may still experience outcomes as "person-based" if final decisions are concentrated in the founder or the family core, and if rules are not applied consistently.

The third area is how people communicate problems and criticism. Meyer separates general communication style (high-context versus low-context) from the way negative feedback is delivered (more direct versus more indirect) (Meyer, 2014).

Figure 3 Communicating scale (low-context vs. high-context)



Source: (Meyer, 2014)

This matters for HRM because systems such as performance appraisal, grievance channels, and employee voice depend on whether people feel able to raise issues openly. When criticism is usually softened and open disagreement is avoided, speaking up can carry a high social cost. In a family-governed setting—where relationships and reputation strongly affect future opportunities—employees may stay silent even when formal channels exist.

In short, Meyer's framework helps make the comparison in Section 1.3.2 more concrete. It shows how differences in trust building, hierarchy, and communication can change how the same HR rule is applied and interpreted at work. The next section turns from comparison to explanation by focusing on key cultural and institutional conditions in Chinese family firms—such as guanxi-based coordination and informal norms—and how they shape HRM in practice.

1.4 Cultural-institutional context: guanxi, hierarchy, paternalism, informality vs. formal HRM

To make sense of HRM choices in Chinese family firms, it helps to start from China's cultural and institutional setting. Much of the family business literature was developed in Western contexts, where professionalization is often described as a move toward formal systems and a clearer separation between "family" and "business." Chau and Wong (2021) argue that this assumption does not always fit Chinese family-governed settings. They show that professionalization is shaped by culture and politics inside the firm, and it is not necessarily a one-way process. Even after professional managers and formal structures are introduced, a firm can shift back toward a more relationship-based mode when conditions change (Ling-Fung Chau & Wong, 2021). For a long time, family life in China has been shaped by lineage thinking, patriarchal authority, and the idea that the family should continue across generations. Chen describes core parts of the traditional family system, such as patrilineal lineage, patriarchy, patrimonial authority relations, and household arrangements that organize resources, duties, and inheritance inside the family (L. Chen et al., 2021). These features matter for business because they offer a familiar way to coordinate people: authority is often tied to a person, loyalty is expected, and duties are shaped by how close someone is in the relationship network.

Today, these cultural patterns sit next to a fast-changing institutional environment. Since the reforms, formal rules and market have grown quickly. Still, informal institutions have not disappeared, and they continue to shape what firms do. This is easy to see in people management. In many workplaces, guanxi still affects who gets information and who gets chances. It can work alongside formal HR procedures, and sometimes it can even take priority over them. Empirical evidence also suggests that guanxi-related HRM practices shape how employees judge fairness and support, and how they experience work and well-being (J. Xu et al., 2020).

A cross-country view helps clarify why this mix matters. Using a large sample of publicly traded firms across 43 countries, Miroshnychenko et al. (2021) find that the positive relationship between family influence and firm growth is stronger in countries with stronger governance conditions, such as rule of law, lower corruption, effective government, and political stability. For HRM, the implication is simple: where rules are more predictable and enforcement is stronger, formal HR systems are easier to standardize and apply consistently. Where uncertainty is higher, families may rely more

on trusted relationships to protect control and reduce risk, which can keep informal coordination salient (Miroshnychenko et al., 2021).

This mix of informal and formal logics creates a real tension for firms. Informal coordination—based on personal trust, family authority, and relationship exchanges—can save monitoring effort and speed up decisions, especially when a firm is small and founder-led. But when the firm grows, the same informality can create confusion. Rules may be applied unevenly, and people may not know what standards are being used. That can weaken fairness, make insider–outsider divisions sharper, and trigger conflict between family and non-family employees.

Research on clan culture helps show how older cultural forces can still shape firm behavior today. Using a large sample of Chinese listed family firms, Xu and Guo (2024) find that stronger regional clan cultural intensity is linked with higher corporate social responsibility performance. They also argue that clan culture may push firms to focus more on internal corporate social responsibility—actions aimed at employees and insiders—than on external initiatives (S. Xu & Guo, 2024). For HRM, the message is quite direct: cultural logics can affect how firms distribute attention and resources to employees. This can feel supportive for insiders (for example, more care and protection), while it can also feel excluding for outsiders (for example, limited trust and fewer chances.

1.5 Key terms in the cultural context

This section explains the key cultural terms used in the thesis. The goal is to keep the meaning of each term clear and consistent. I use these terms as basic tools for description here; the deeper theoretical discussion comes later in the thesis.

Guanxi. Guanxi is a network of personal relationships based on mutual recognition, give-and-take obligations, and repeated exchange over time. It is very important in Chinese culture and society. Traditional ways of thinking and acting show a strong focus on personal connections. Chinese society starts with family ties. It then builds wider networks through shared hometowns, schools, and workplaces. People clearly distinguish between close ties and distant ones. This creates a unique "familiar society," where personal relationships matter a great deal. In HRM, it often shapes who is recommended for a job, who gets access to information and opportunities, and how problems are solved through informal channels. Guanxi HRM practices refer to the extent to which HRM decisions—such as recruitment, task assignment, performance evaluation, promotion,

and compensation are influenced by personal relationships. In other words, guanxi HRM practices occur when team leaders base HRM decisions on the quality of their personal relationships with team members (L. Chen et al., 2021); Xu et al. (2020) also explains that guanxi in HRM is more than having "connections." It is a set of relational practices that can influence how employees interpret decisions and how they feel at work, including their sense of fairness and support (J. Xu et al., 2020). In this thesis, relational HRM is the broader analytical term used to describe HR coordination based on trust, ties, and informal judgment. Guanxi HRM practice is used more narrowly when referring to studies that explicitly examine HR decisions made through personal relationships in the Chinese context.

Hierarchy and paternalism. Hierarchy refers to accepted differences in status and authority. In family firms, this can appear as respect for seniority, founders, or family elders, and it can influence how people speak up, disagree, or claim credit. Paternalism refers to a leadership style that combines authority with an expectation of care, protection, and guidance. In family firms, hierarchy and paternalism can support coordination and loyalty. At the same time, they can make it harder to separate professional evaluation from personal loyalty, especially when trust and obedience become part of what is "rewarded" (L. Chen et al., 2021).

Clan culture (zongzu) and lineage logic. Clan culture is tied to kinship-based hierarchy and patrilineal lineage. Historically, it has been maintained through practices such as keeping genealogies and performing ancestral rituals. In modern business life, clan culture can work as an informal institution. It may strengthen solidarity, reciprocity, long-term orientation, and a strong sense of "insiders," while also limiting trust and openness toward people outside the group (S. Xu & Guo, 2024).

Informality vs. formal rules. Informality refers to unwritten norms and informal decisions, often guided by relationships and personal judgment. Classic studies observed that family-owned SMEs tend to avoid "professional" HRM — for example, they may recruit via personal networks, evaluate employees subjectively, or set pay based on family considerations (L. Chen et al., 2021; J. Xu et al., 2020). Formal rules refer to procedures that are standardized, transparent, and documented. In this thesis, this contrast is used to describe HRM implementation patterns. The point is not that one side is always better. Instead, it helps show which coordination mechanism dominates in a given HR practice

(for example, hiring or promotion) and how that dominance may change as the firm grows or enters succession.

Psychological Safety. Psychological safety refers to a shared belief that it is safe to take interpersonal risks in a group or workplace. Kahn (1990) defined it as feeling able to show one's true self "without fear of negative consequences to self-image, status, or career". This foundational studies established psychological safety as critical for open communication and learning in organizations (Kahn, 1990). Psychological safety is relevant in family-governed firms because hierarchy and insider–outsider boundaries can make employees hesitate to speak up or report mistakes. It helps explain when people voice concerns under relational versus formal HR arrangements.

Collectivism. A collectivistic culture emphasizes group loyalty, harmony, and the primacy of team goals over individual interests. Hofstede's classic cultural framework identified collectivism as a dimension in which societies (like China's) value tight in-group cohesion and mutual obligations. At the team level, members in a collectivist culture view the group's needs and duties as paramount, fostering cooperation and conformity. It matters because harmony and group loyalty can increase commitment in family firms, but they can also lead to favoritism and affect how fair HR decisions feel, especially for non-family employees.

1.6 Conceptual lens used in this thesis: relational HRM, formal HRM, and hybrid patterns

Building on the context above, this thesis uses a simple lens to organize the literature: relational HRM, formal HRM, and hybrid patterns. The lens is meant to describe and compare HRM approaches in a clear way. It is not meant to replace established theories in family business research.

Relational HRM: In this thesis, "guanxi HRM" is used as one important manifestation of relational HRM in China, not as an equivalent label. Relational HRM refers to people management that depends mainly on personal trust, relationship-based exchange, and informal authority. Typical examples include hiring through personal referrals, informal performance evaluation based on the founder's own judgment, and rewards that reflect loyalty and long-term relationship expectations. In Chinese family firms, relational HRM often relies on family ties and guanxi networks. It can work especially well in small or

early-stage firms, where the founder can closely oversee decisions and where informal coordination reduces uncertainty and speeds up action. However, this is not independent of firm size. As the firm grows and the workforce becomes more diverse, relying mainly on personal judgement and informal ties becomes harder to apply consistently and may increase fairness concerns for non-family employees. For this reason, many firms gradually add more formal HR routines (clear criteria, documentation, and grievance channels) while still keeping some relational elements (L. Chen et al., 2021; J. Xu et al., 2020).

Formal HRM: Formal HRM refers to HR policies and procedures that are standardized, written down, and applied in a consistent way. Decisions are explained through rules rather than personal ties. Examples include clear recruitment criteria, transparent promotion standards, formal appraisal systems, and documented grievance channels. The family business HRM literature notes that formalization can improve transparency and fairness. At the same time, it can also trigger resistance when it is seen as limiting family control or breaking long-standing relational arrangements (Marler et al., 2021)

Hybrid patterns: Hybrid patterns describe deliberate combinations of relational and formal ways. A hybrid is not automatically a "middle point." The key question is where formalization is placed and where relational discretion is kept. A common hybrid logic is to formalize high-stakes decisions that are visible and fairness-sensitive—such as pay ranges, promotion criteria, and compliance or safety rules—while keeping relational flexibility in areas where personal knowledge may add value, such as mentoring, individualized support, or informal discussions about internal mobility. This fits the broader argument that HR systems in family firms often reflect a balance between economic goals and family-centred priorities (Marler et al., 2021).

1.6.1 Analytical use of the relational–formal–hybrid lens

In later chapters, this lens is used as an analytical tool, not only as a set of definitions. It helps identify (1) what type of coordination a practice relies on (relationship-based discretion versus rule-based standardization), and (2) where the balance is placed across HR processes. In Chapter 2, the lens is linked to mechanisms: cultural norms and guanxi-based coordination help explain why relational practices persist, while governance logics and fairness/credibility concerns help explain why formalization is introduced. In Chapter 3, the lens is applied at the HR-module level (recruitment/selection; training,

development and succession; compensation and employee relations/voice) to compare how hybrid patterns are "assembled" differently across processes. Each module is assessed using the same questions: What is formalized? What remains informal? Who benefits, and who is excluded? In Chapter 4, ESG pressure is used as a stress test of the same lens. The analysis asks whether ESG strengthens a credible formal floor (minimum procedures and protections applied consistently) or exposes a policy–practice gap (policies exist, but implementation remains selective, especially across insiders and outsiders). Throughout the thesis, the lens therefore supports systematic comparison, and it keeps the discussion anchored in employee-facing consequences such as fairness perceptions, willingness to voice concerns, and protection outcomes.

1.7 Conclusions

This chapter has set the context for the thesis by clarifying why HRM in Chinese family firms cannot be understood only as "informal" or "formal". Under family control, HR decisions are often shaped by relational coordination and insider–outsider boundaries, while at the same time firms face growing demands for clearer rules, fairness, and credibility. The next chapter therefore moves from context to explanation: it develops the theoretical mechanisms that can account for this tension, combining cultural–institutional arguments with SEW and governance logics, and translating them into the relational–formal–hybrid HRM lens used in this thesis.

2. CHAPTER

CULTURAL AND THEORETICAL FOUNDATIONS

2.1 Introduction

Chapter 1 motivates the problem: HRM in Chinese family firms is best understood as a hybrid configuration, not a simple choice between relationships and rules. This chapter develops the mechanisms needed to explain that configuration. It brings together cultural and institutional foundations, family-owner priorities, and governance logics to show why relational HR practices can remain stable, why formalization tends to appear selectively, and why both can persist within the same organization.

The chapter is structured to support the later review chapters rather than to present theory as separate silos. It builds an integrated explanation that links context and governance motives to HR design choices, and it prepares the relational–formal–hybrid lens to be applied consistently across HR processes. This provides the conceptual basis for Chapter 3's module-by-module synthesis and for Chapter 4's analysis of ESG-related pressure as a test of credibility and consistency. This chapter uses multiple lenses as a single explanation chain rather than as competing theories. Cultural and institutional perspectives provide the background conditions that shape what employees expect to be legitimate HR decisions in Chinese family firms. In this thesis, legitimacy refers to the perceived appropriateness of a governance or HR arrangement at the organizational level, while acceptance refers more narrowly to whether specific actors (e.g., employees, successors, non-family managers) recognize and support that arrangement in practice. The SEW perspective explains why family owners may prioritize control, loyalty, and family identity alongside economic goals, which affects HR choices. Agency and stewardship are used as complementary governance logics to explain how families

balance trust-based coordination with monitoring and fairness safeguards as firms grow and rely more on nonfamily talent. Together, these lenses are translated into the relational–formal–hybrid HRM framework, which is used in Chapters 3–4 to analyze HR processes and employee-facing outcomes.

2.2 Confucian family culture in business

Studies suggest that Confucian family culture shapes how Chinese family firms make people decisions—especially when HR choices rely on relationships as much as on written rules. The literature mainly asks how Confucian norms shape day-to-day people management, and why many family firms end up combining relationship-based coordination with formal rules rather than relying on either one alone.

When it comes to influence, studies reveal a dual character—both supportive and challenging. On the positive side, Confucianism offers principles that align well with modern HRM. For example, its emphasis on benevolence (ren), righteousness (yi), trust (xin), and ethical relationships encourages sustainable HR practices, strengthens employee commitment, and promotes social well-being. Values such as reciprocity, loyalty, and ritual propriety (li) have been found to positively affect employees' willingness to work overtime, both emotionally and normatively. The core Confucian virtue of benevolence, which extends family-like care to employees, helps build lasting, harmonious mentoring relationships within firms.

On the other hand, Confucian cultural traits can also pose challenges. A strong focus on family, respect for authority, and reliance on personal connections may sometimes conflict with modern organizational needs. For instance, distrust toward non-family members can lead to talent gaps in critical roles, hindering business growth. In summary, existing research suggests that Confucian culture leaves a deep and complex imprint on HRM systems in Chinese enterprises—one that can strengthen cohesion, but can also make formal, merit-based systems harder to implement consistently—especially as firms grow.

2.2.1 Why "Family Culture" Matters for HRM in Chinese Family Firms

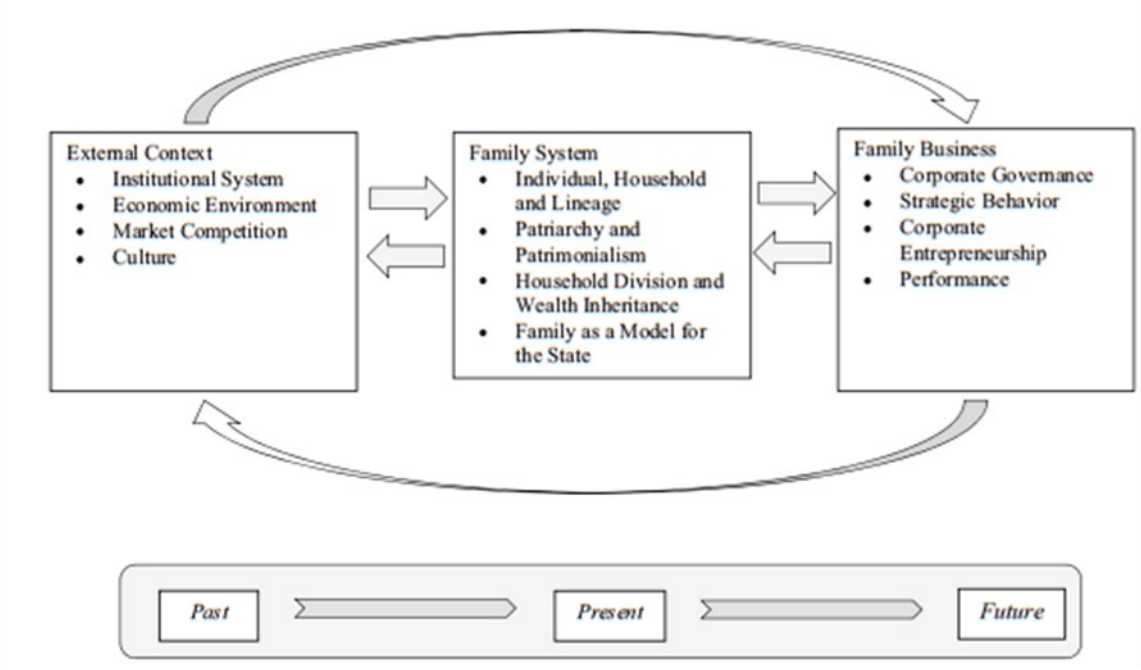
To understand HRM in Chinese family firms, it is not enough to look at formal HR policies. Many decisions—like who gets hired or promoted—are shaped by deeper beliefs

about how society should work. In China, these beliefs are often rooted in Confucian thinking, where the family is not only a private unit but also a model for authority and responsibility (Yan & Sorenson, 2006).

Historically, Chinese firms have often followed a "family governance" style. This means that running a business through family ties is seen as normal and acceptable. According to Chen, Zhu, and Fang (2021), the idea of family control is deeply embedded in Chinese society. Practices that look 'informal' in rule-based systems may still be viewed as legitimate in China when they reflect family authority and role duties (L. Chen et al., 2021).

At the same time, culture is not the only influence. Modern Chinese firms face market competition, regulations, and professional standards. Zhu and Warner (2019) argue that HRM in China is shaped by a mix of global practices and local traditions. For family firms, this creates a key tension. Cultural expectations support relationship-based management, but growing firms often need clearer systems. As a result, often develop "hybrid" HRM systems that combine both (C. J. Zhu & Warner, 2019).

Figure 4 Family system as a core driver in Chinese family firms



Source: (L. Chen et al., 2021)

2.2.2 Insider–Outsider Boundary

One important idea in Chinese society is Fei Xiaotong's concept of *chaxu geju*, or the "differential mode of association." This idea helps explain why people in China often treat others differently depending on how close they are. Fei (1992) described this social structure using the image of ripples in water: when a stone drops into a pond, the circles closest to the center are the strongest, and the further out they go, the weaker they become. (Fei, 1992) In Chinese society, each person stands at the center of their own circle, and moral duties—like helping, protecting, or trusting others—are strongest for people near the center, such as family and long-term friends, and weaker for those further away.

This way of thinking affects how people manage relationships inside family firms. When making HR decisions, such as hiring or promoting someone, the priority is often given to people with close ties—relatives, loyal employees, or trusted friends. Formal criteria like job performance or qualifications may still matter, but they are often judged through the lens of relationships.

Over time, this creates a clear insider–outsider boundary. Insiders—usually family members or those with long, trusted relationships—are offered more support, flexibility, and even second chances. Outsiders, by contrast, are often held to stricter standards and receive fewer informal exceptions. Fei (1992) emphasized that unlike Western systems based on organizations or rules, Chinese society builds order through personal connections and moral expectations shaped by closeness (Fei, 1992).

Chen et al. (2021) describe how, historically, Chinese family businesses have long followed this logic. They explain that people close to the family often gain higher status and influence inside the firm, even without formal titles. The company may operate with rules, but those rules are not always applied equally—they are often adjusted depending on how close someone is to the core (L. Chen et al., 2021). Other studies show this insider preference operates not just through family ties but through guanxi, or relationship networks. Chen et al. (2004) found that guanxi-based decisions in HR can harm trust if employees feel the decisions are unfair. Their findings suggest that when HR decisions appear driven by personal ties, outsiders are more likely to read the system as favouritism rather than merit (C. C. Chen et al., 2004). This highlights an important point: in Chinese family firms, the line between economic logic and moral logic is often blurred. Someone being promoted is not just a matter of "merit" but also whether the decision reflects the

leader's responsibilities toward trusted people while rules may exist on paper, how they are applied often depends on who the person is in relation to the center of the firm.

This insider–outsider pattern is not just about tradition—it continues to shape trust, loyalty, and even fairness today. It also helps explain why some employees are more protected than others, and why formal HR systems in Chinese firms sometimes function more as guidelines than strict rules

2.2.3 Paternalistic leadership as a cultural carrier

At the cultural level, this section explains why leadership in Chinese family firms is often understood through family-like authority and care. In Chinese family firms, leadership is often expected to resemble a "family head" role. This expectation is closely linked to Confucian views of family order. Confucian teaching puts strong weight on the parent–child relationship: children show obedience (xiao), while parents are expected to treat children with kindness and care (ci) (Yan & Sorenson, 2006). Historical work on the Chinese family system also shows how authority in the family has traditionally been tied to age and gender roles, and how filial piety can involve both obedience and a form of respectful correction when a senior acts wrongly (L. Chen et al., 2021). When this family logic enters the workplace, authority can feel normal. Employees also expect leaders to take personal responsibility for people, so HR decisions are often judged as moral acts, not only as procedures.

This is where paternalistic leadership becomes a useful lens for HRM. At the governance level, this cultural logic enters the firm through paternalistic leadership.The most common model describes paternalistic leadership as a combination of authority, benevolence (care), and morality (Bedi, 2020). This helps explain why relationship-based HR decisions can be accepted in many family firms. For example, leaders may offer flexible work arrangements, personal help during hardship, or special rewards for loyal service. These actions may not follow a fully standardized rule, but employees can still view them as fair if the leader is seen as caring and morally responsible. In this sense, paternalistic leadership supports the logic of relational HRM: HR decisions are not only technical choices but also moral and relational signals about who is trusted, protected, and supported.

At the HR system level, paternalistic leadership helps explain why some relationship-based HR decisions are accepted in practice. Because the same leadership style can also

create clear problems, especially when the "authority" side becomes too strong. Bedi (2020) argues that benevolence and moral leadership tend to relate to better employee outcomes, while authoritarian leadership is more likely to harm outcomes (Bedi, 2020). From the employee perspective, the key issue is whether these decisions are experienced as fair, consistent, and safe to question. When decisions depend too much on the leader's personal power, employees may experience HR processes as unclear and unpredictable. This is even more sensitive in growing family firms, where the workforce becomes larger and includes more non-family employees. If pay, promotion, training, or discipline seem to depend on closeness to the leader rather than clear standards, outsiders may doubt fairness and may avoid speaking up. Even though Confucian tradition contains the idea of respectful "remonstrance," employees still need a safe environment to use voice in practice (L. Chen et al., 2021).

For this reason, paternalistic leadership also helps explain why many Chinese family firms move toward hybrid HRM over time. As firms expand, leaders cannot rely only on personal relationships to explain or defend every HR decision. Formal HR elements—clear criteria, written records, and more transparent procedures—can share the burden of decision-making and reduce misunderstandings, while relational practices continue to shape daily cooperation and trust. This fits the broader argument that HRM in China develops through a mix of imported formal ideas and local cultural practice, rather than replacing one with the other (C. J. Zhu & Warner, 2019). In this thesis, paternalistic leadership therefore works as a "bridge" mechanism: it explains why relational HRM can feel legitimate, and also why formalization becomes attractive when authority-based discretion starts to produce fairness and voice problems.

2.2.4 Guanxi and the Justice Problem

At the governance level, guanxi can function as a practical coordination mechanism in family-controlled firms. guanxi-based coordination is culturally grounded in many Chinese family firms: social order is often understood through duties, closeness, and moral responsibility rather than fully impersonal rules. Fei's discussion of *chaxu geju* is useful here because it describes a society where obligations are stronger toward close ties and weaker toward distant ones, and where people judge what is "right" in a situation by looking at the relationship between the actors, not only by applying abstract standards.

Within this cultural logic, guanxi becomes one of the main tools that connects morality to everyday action. Guanxi is not simply "having connections." It is a relationship system built on long-term exchange, mutual help, and the expectation that favors will be returned. In family-governed firms, where trust is often concentrated around the founder and the family core, guanxi can feel like a practical and even ethical way to reduce uncertainty, secure loyalty, and coordinate work. At the same time, once guanxi becomes a basis for HR decisions, it can create a different kind of problem: employees may start to doubt whether the organization follows fair procedures. This is where the "justice problem" emerges—guanxi may support coordination inside the inner circle, but it can weaken trust and motivation outside that circle.

In HR system level, the issue becomes more sensitive when guanxi shapes formal HR decisions such as recruitment, promotion, pay, and appraisal. The key shift is where guanxi is used. Guanxi is less controversial when it is used for information sharing or informal support. It becomes much more sensitive when it shapes formal HR outcomes Chen, Chen, and Xin (2004) call this guanxi practices in HRM—HR decisions that rely on personal relationships. Their central finding is straightforward: when employees perceive stronger guanxi practices in HR decisions, they report lower trust in management, and this negative effect mainly works through lower procedural justice (C. C. Chen et al., 2004). In this thesis, "procedural justice" is used as the main term for employees' judgments about whether HR decisions are made and applied in a fair and predictable way where the argument refers specifically to decision rules, consistency, and explainability, the term procedural justice is preferred. Procedural justice is not a "small" perception, it is how employees decide whether the organization is a reliable place to invest effort and build a future. In daily work, people cannot observe every decision fully. Instead, they rely on signals: are standards clear, are decisions explained, and are similar cases treated in similar ways? When guanxi is seen as shaping decisions, it sends a strong signal that procedures can be bypassed. Even if the selected person is competent, the process can still look unfair.

From the perspective of the relational–formal–hybrid lens, this is exactly why relational HRM creates tension during growth. Relational systems can be efficient when the workforce is small and trust is personal. But as the organization expands and hires more

outsiders, employees need stronger evidence that opportunities are not reserved for those with the "right" ties.

From the employee perspective, the main issue is not only efficiency but whether decisions look explainable and procedurally fair. Importantly, employees do not react to all guanxi in the same way. An important contribution of Chen et al. (2004) is that they do not treat guanxi as one single thing. They show that employees react differently depending on the guanxi base behind a decision. In their scenario study on a promotion decision, trust varies depending on whether the promoted person is tied to the manager as a nephew, hometown fellow, schoolmate, close friend, or mere colleague. The pattern shows that certain ties—especially family ties—can trigger stronger negative reactions than others (C. C. Chen et al., 2004). This finding helps avoid an overly simple argument like "guanxi always reduces fairness." Instead, it suggests that employees make moral judgments about whether a relationship looks like a legitimate social obligation or an inappropriate private advantage. In a Confucian-influenced setting, obligations toward family and close insiders are culturally recognized. That can make preferential treatment understandable as a social act. But in the workplace, the same preference can be interpreted as violating a basic expectation: that HR decisions should follow standards that are at least explainable to everyone.

This is also why insider–outsider boundaries become so important. At the HR implementation level, the same written rule may be applied differently depending on relational distance from the family core. If employees believe that the organization is divided into circles and that HR outcomes depend on circle membership, then procedural justice is damaged even when there are written policies. In Fei's terms, a rule can exist, but the rule may be applied differently depending on relational distance (Fei, 1992). This is not only a cultural description, it becomes an HRM implementation issue: outsiders may see the system as unpredictable, while insiders may see it as normal and caring.

From the employee perspective, visible kin ties can easily be interpreted as part of the decision rule. This concern is especially strong in family firms, where kin ties are visible and easily interpreted as nepotism. Family firms face a special version of the justice problem because kin ties are highly visible. The nepotism literature helps clarify why these matters. Burhan, van Leeuwen, and Scheepers (2020) show that hiring a relative is often perceived as nepotism even when the relative is competent, and that people judge it

as a problem mainly because it violates fairness, not simply because the person lacks ability (Burhan et al., 2020).

This insight strengthens the argument for Chinese family firms: once people believe that "family membership" is part of the decision rule, procedural justice concerns intensify. For non-family employees, this can change how they interpret effort and performance. They may still work hard, but they may also lower expectations for fair recognition. Over time, that can weaken commitment and increase turnover intentions—especially among high-skill outsiders who have more external options. The broader point is that guanxi becomes risky when it produces the impression that standards are flexible for insiders and strict for outsiders. That impression is exactly what procedural justice captures.

Beyond trust, guanxi-based HR decisions can also shape whether employees feel safe to speak up. The justice problem is not only about "attitudes." It shapes what employees feel safe to do at work. If people believe that outcomes depend on relationships, speaking up can seem risky. Complaining about unfairness may threaten the person who controls resources, and it may also damage one's standing inside the network. In practice, this creates a "quiet" workplace where employees manage problems indirectly. That fits the harmony and face logic discussed later in Section 2.2.5, but it also connects directly to guanxi in HRM: when HR decisions look relational, employees can conclude that voice is costly. Xu, Xie, and Tang (2020) make this link more concrete by connecting guanxi HRM practice to psychological safety and occupational well-being. They define guanxi HRM practice as making HR decisions based on personal relationships (e.g., recruitment, selection, induction, appraisal) and find that stronger guanxi HRM practice is associated with lower occupational well-being, they also show that psychological safety helps explain this relationship: when employees perceive guanxi-based HRM, they feel less safe, which then links to worse well-being (J. Xu et al., 2020). This is an important step for the overall thesis, because it connects the cultural–governance side to employee-level outcomes in a clear chain: guanxi-based HR decisions → weaker fairness signals → lower trust and lower psychological safety → worse employee experience.

However, the guanxi literature does not suggest that guanxi can or should be eliminated. Chen (2009) argue that close guanxi is deeply rooted and persistent, and attempts to suppress it often fail or push it into informal "backdoor" channels. Instead, they focus on negative externalities: close guanxi partners may cooperate strongly with each other but

still harm the wider organization by violating procedures, creating unfair allocations, or eroding trust (C. C. Chen & Chen, 2009). Their proposed direction is highly relevant for understanding hybrid HRM. They emphasize institutional mechanisms that can reduce guanxi's negative effects, especially in HR decision areas. Two ideas are particularly useful:

Ethical standards and conflict-of-interest boundaries. Organizations can set clear norms about when managers should step aside from decisions involving close ties, and what forms of preferential treatment violate organizational rules

Decision transparency. They argue that more transparent HR decision making reduces information gaps between insiders and outsiders and makes it harder to justify unfair favoritism. Transparency also increases the pressure to use defensible criteria (C. C. Chen & Chen, 2009)

These points align naturally with the hybrid logic developed in Chapter 1: formal HR elements are often introduced not to "replace culture," but to control the costs of relational discretion. In a hybrid arrangement, guanxi and relational trust may still shape daily coordination, mentoring, and informal support, but high-stakes decisions—promotion, pay bands, appraisal standards, grievance handling—are more likely to be formalized because they are fairness-sensitive and widely observed. This is also where employee outcomes such as trust, voice, and retention are most vulnerable.

2.2.5 Confucian Values in Formal Systems

The earlier sections explain why relationship-based HRM can feel "normal" in Chinese family firms: social order is often understood through duties, trust, and role-based responsibility, not only through impersonal rules (Fei, 1992). The next step is to clarify a related point: culture does not disappear when a firm adopts formal systems. Even when companies use written policies, pay formulas, and governance structures, cultural beliefs can still shape what leaders see as appropriate and how rules are applied.

A clear example comes from executive compensation. Jin, Li, and Liang (2023) show that firms located in areas with stronger Confucian culture tend to pay CEOs less and show smaller pay gaps among top executives. At the same time, these firms display larger gender pay gaps (Jin et al., 2023). This pattern is important because compensation is usually treated as a "hard" and highly formal outcome. If cultural differences appear even

here, it becomes harder to argue that formal HR systems operate in a neutral, culture-free way.

These findings can be understood through basic Confucian themes that also appear in the broader Confucian literature: modesty and self-restraint, respect for hierarchy, and a preference for social order over open competition. In that value setting, very high individual pay can be seen as improper or socially risky, while narrower pay dispersion may appear more acceptable because it signals harmony and restraint. At the same time, traditional gender expectations can remain strong, which helps explain why gender inequality may persist or even widen in pay outcomes even when formal systems exist (Jin et al., 2023). The key point is not that Confucian culture "causes" one specific pay level, but that it influences what decision makers consider reasonable, fair, and legitimate—especially in sensitive areas like status, reward, and authority.

This supports a broader argument from the HRM in China literature: HR practices in China often develop through contextualization, meaning imported or "modern" management tools are frequently adapted to local norms rather than simply replacing them (C. J. Zhu & Warner, 2019). In family firms, this is even more visible because the firm is often governed through a family-centred authority structure, and cultural expectations about duty, loyalty, and hierarchy remain part of everyday management (L. Chen et al., 2021). As a result, adopting formal systems does not automatically lead to "Western-style" formal management. A company may introduce formal pay structures, job grades, and performance systems, while still interpreting and using them through culturally shaped ideas of modesty, hierarchy, and appropriate social roles

In short, in sum, Confucian family culture shapes HRM through (1) relationship-based duties and insider–outsider boundaries, (2) leadership expectations that mix control with care, and (3) interaction norms that can limit open voice. These mechanisms help explain why many firms retain relational coordination while gradually adding formal tools to protect fairness and support growth. But culture is not always helpful. When guanxi leads to unfair outcomes or when leaders become too controlling, problems of trust and transparency can arise. That's why many firms move toward "hybrid" systems. They don't give up culture, but they add formal tools to support fairness and growth. These cultural expectations shape what is seen as legitimate, but they do not yet explain why

families actively choose certain HR trade-offs; the SEW lens helps specify the family's underlying motives.

2.3 Social Emotional Wealth (SEW) perspective

In family business research, SEW is often described as a "homegrown" lens because it explains decisions that standard financial logic cannot fully capture. This matters for HRM because people decisions are one of the main channels through which families protect what they value. For example, families may keep discretion over senior appointments, promotion gates, or pay decisions even when formal systems are available. Berrone, Cruz, and Gómez-Mejía (2012) argue that SEW can act as a central reference point in family firms because the owning family values a set of nonfinancial benefits tied to the firm, and these benefits can be gained or lost through governance and strategic choices. In this view, what makes a family firm distinctive is not only ownership concentration. It is also that the family's tie to the firm is emotionally "loaded." The firm can represent identity, status, control, and continuity across generations, and these meanings shape how decisions are framed (Berrone et al., 2012).

A key strength of Berrone et al. (2012) is that they do not treat SEW as a loose cultural label. They locate SEW in the behavioral tradition and stress that families can react strongly to possible SEW losses. Families may not evaluate options as a neutral comparison of profits and costs. They often ask whether a choice threatens family influence, weakens the family's identity in the firm, disrupts key ties, or endangers continuity. Because these risks often show up through people choices—such as bringing in outside managers, tightening promotion rules, or limiting family discretion—HRM becomes a practical tool for defending SEW. This explains why families may maintain strong control, prefer insiders, and keep governance arrangements that protect discretion, even when these arrangements look less efficient from a narrow financial view (Berrone et al., 2012).

2.3.1 SEW dimensions

To make SEW more usable for research, Berrone et al. (2012) specify five core dimensions, often summarized as FIBER: (1) family control and influence, (2) identification of family members with the firm, (3) binding social ties, (4) emotional attachment, and (5) renewal of family bonds through dynastic succession. This model is

helpful because it turns SEW into specific family priorities that can be linked to governance choices, including HR design (Berrone et al., 2012). It also clarifies that SEW is not a single feeling. It is a bundle of valued outcomes tied to the family–firm relationship.

The control and influence dimension is often the easiest to connect to governance and HR. If control is part of the family's socioemotional endowment, then choices that dilute authority or reduce discretion may be experienced as losses, even if they improve technical efficiency. The identification dimension adds another layer. When family members identify strongly with the firm, the firm's public image becomes personally meaningful. Berrone et al. (2012) review evidence consistent with this view, including actions that enhance image even when direct economic rewards are not obvious, and interpret these actions as SEW protection. The binding social ties and emotional attachment dimensions are especially relevant to people management. They suggest that relationships inside and around the firm are not only tools for coordination; they can also be part of what the family wants to preserve (Berrone et al., 2012). The dynastic succession dimension captures the long horizon many families apply. Continuity can become a goal in itself, which shapes choices around stability, loyalty, and leadership preparation rather than short-term performance.

Table 2 Dimensions of SEW (FIBER Model)

DIMENSION		DESCRIPTION
F	FAMILY CONTROL AND INFLUENCE	The extent to which family members exert control over strategic decisions, occupy key positions, and influence firm governance.
I	IDENTIFICATION OF FAMILY MEMBERS WITH THE FIRM	The degree to which family members identify with the firm, see it as an extension of themselves, and derive identity from it.
B	BINDING SOCIAL TIES	The strength of social relationships with employees, suppliers, community, and other stakeholders, often based on trust and reciprocity.
E	EMOTIONAL ATTACHMENT OF FAMILY MEMBERS	The affective bonds, emotions, and sentimental values family members attach to the firm, influencing decision-making.
R	RENEWAL OF FAMILY BONDS THROUGH DYNASTIC SUCCESSION	The intention to pass the business to future generations, emphasizing transgenerational sustainability and legacy.

Source. Adapted from (Berrone et al., 2012)

These dimensions help explain why HR decisions in family firms are often "identity-sensitive." They can also be mapped to concrete processes. Control and influence often show up in senior appointments and monitoring. Binding ties are reinforced through

loyalty rewards and long-term employment expectations. Succession affects successor grooming, internal career paths, and leadership development. In this way, HR choices often serve two goals at once: they manage labor operationally, and they protect the family's socioemotional endowment (Berrone et al., 2012).

At the same time, the literature notes that SEW is not always measured consistently. A review points out variation in definitions, roles, and dimensions, which can create confusion and inconsistent findings (Reina et al., 2023). Measurement studies respond to this issue. Gerken et al. (2022) argue that many studies cite SEW but do not use direct multidimensional measures; they replicate and extend validation of the FIBER scale and propose a short scale with strong psychometric properties (Gerken et al., 2022). For research on HRM models, these debates matter because they reinforce a simple point: SEW is multidimensional, and different dimensions can push HRM in different directions. For example, family may value control and succession strongly, while also valuing reputation and stakeholder trust. Those priorities can lead to different HR choices, especially during growth and professionalization (Gerken et al., 2022; Reina et al., 2023).

2.3.2 SEW, institutions, and strategic adaptation in China

The preceding analysis demonstrates that SEW provides intrinsic motivation for family businesses' HRM choices. However, how do these motivations translate into practice within specific contexts? This section examines SEW within China's unique institutional environment, revealing how HR formalization functions as a strategic protective mechanism for SEW.

SEW becomes more convincing when it is linked to the institutional setting in which Chinese family firms operate. This matters for HRM because firms in China face changing rules of competition, growing labor mobility, and ongoing state supervision, all of which shape hiring, promotion, and retention. China is not only influenced by Confucian family norms; it is also a transition economy where marketisation and regulation develop together. Chen et al. (2021) stress that Chinese family firms are shaped by derived Confucian culture, "excessive marketization," and continued institutional supervision from a transitional government. They also describe family governance as a common default for entrepreneurs and note that family firms often serve as vehicles for transferring wealth and social status across generations (L. Chen et al., 2021). These

features raise the stakes of people decisions: staffing and promotion are tied not only to efficiency, but also to control, reputation, continuity, and the family's standing.

In this context, HRM formalization can be understood as strategic adaptation rather than a simple move from "relationships" to "rules." The broader SEW literature supports this view. Davila et al. (2023) report an overall positive relationship between SEW and family firm performance and show that major managerial decisions help explain how SEW relates to performance. HRM choices—such as whether to professionalize recruitment, pay, appraisal, and career systems—belong to these major decisions because they shape human capital, internal order, and the firm's image as an employer. Formal HR tools may therefore be adopted because they protect SEW, for example by reducing internal disputes, keeping high-skill employees, and protecting the family name, rather than because relational thinking disappears (Davila et al., 2023).

Recent China-based evidence shows this adaptive logic more clearly. Meng, Gomez-Mejia, and Yi (2024) examine political embeddedness, SEW, and R&D investment in Chinese listed family firms using a mixed-gamble approach. They find that politically embedded family firms invest more in R&D than those without such ties, but this effect weakens in more competitive industries and in regions with faster pro-market reforms (Meng et al., 2024). The key point is contingency: families choose differently across institutional conditions, depending on how they expect to protect both financial value and SEW. Meng et al. (2024) also suggest that as reforms accelerate, firms rely less on informal exchange and place more weight on formal routines and contracts. This kind of institutional shift can also change how HR rules are designed and enforced (Meng et al., 2024).

The same contingency logic applies to HRM formalization in Chinese family firms. When competition increases and labor markets become more mobile, relying mainly on insider networks and personal discretion is harder to sustain. It can raise turnover risk among skilled outsiders, create conflict over favoritism, and damage employer reputation—each of which can threaten SEW through identity, status, and control. In such settings, families may adopt clearer HR rules, such as job grades, appraisal records, and transparent promotion criteria, to stabilize internal order and reduce disputes. This does not contradict SEW. It reflects a choice to protect SEW through procedures that others can accept, especially when HR decisions are visible to a larger and more diverse workforce.

This argument aligns with the China HRM literature that stresses contextualization rather than one-way convergence. Zhu and Warner (2019) describe HRM development in China as a mix of convergence, divergence, and contextualization shaped by political, economic, cultural, and institutional forces. They also note that Confucian legacies (e.g., harmony, respect for authority, guanxi) can coexist with external pressure and jointly shape people management (C. J. Zhu & Warner, 2019). In family firms, this helps explain why formalization often results in hybrid outcomes. Written rules may be introduced to meet external expectations and improve coordination at scale, but relational mechanisms still affect implementation—for example, how exceptions are granted, how appraisal feedback is delivered, and whether employees feel safe to use complaint or grievance channels.

Overall, SEW in China can be read as a dynamic governance motive under external pressure. Confucian family logic supports family control and relationship-based coordination, while transition-economy conditions make the costs of informality more visible as firms grow. The institutional environment then shapes which tools families use to protect SEW. In more state-dependent or less competitive spaces, political ties and relational governance may feel effective and less risky. In more competitive or faster-reform contexts, families face stronger incentives to rely on routines, contracts, and professional systems to protect survival, reputation, and stability (Meng et al., 2024; C. J. Zhu & Warner, 2019). This provides a direct bridge to HRM: formal HR practices can function as SEW-protective adaptations, and hybrid HRM becomes a realistic equilibrium where families balance cultural acceptance with institutional demands.

2.3.3 From SEW to HRM: why relational practices persist

SEW helps explain why relationship-based HRM can persist in family firms even when formal systems exist. For example, preference for insiders, loyalty rewards, informal support, and long-term employment commitments can help preserve binding social ties and identity value. These practices also reduce uncertainty by relying on trust and known relationships, which can feel safer when external monitoring is costly or when the family fears losing control. Relational HRM is therefore not just "informal management." It protects SEW by keeping key roles within trusted circles, rewarding loyalty, and maintaining cohesion through discretion (Berrone et al., 2012).

At the same time, relational governance can generate organizational costs. A key cost is bifurcation bias, meaning asymmetric treatment of family and nonfamily employees. Verbeke and Kano (2012) argue that bifurcation bias can be harmful because it creates governance inefficiencies and weakens the firm's ability to use nonfamily human capital fully. For HR systems, this is critical: when nonfamily employees believe that standards differ for insiders and outsiders, commitment and retention can suffer (Verbeke & Kano, 2012).

Madison et al. (2018) connect these ideas directly to HR professionalization. They argue that professional HR practices can improve performance by reducing agency problems such as moral hazard and adverse selection. However, the benefits depend on whether family and nonfamily employees are treated in a way that is seen as fair. Their findings suggest that when bifurcation bias is present—when monitoring and treatment are unequal—the positive performance effect of HR professionalization diminishes (Madison et al., 2018). This provides a clear bridge from SEW to HRM: families may want professional HR systems and still want to preserve insider privileges, but combining these goals without fairness safeguards creates tension.

Recent work also suggests that HR practices are not independent of SEW priorities. Rosicky and Machek (2023) examine SEW importance together with professionalization and bifurcation bias and relate these features to entrepreneurial orientation. Their outcome is not HR, but the design is still useful here: it treats professionalization and bifurcation bias as family-firm-specific HR features and positions SEW importance as a driver shaping how families manage these features (Rosecká & Machek, 2023). This strengthens the argument that SEW connects to concrete HR design choices rather than remaining an abstract cultural story.

2.3.4 SEW does not only mean "less formal HR"

A common assumption is that family firms rely on informal systems because they lack professional HR structures. SEW research complicates this view by showing that employees can still experience strong support even when formal HR programs look less generous. Christensen-Salem et al. (2021) develop the concept of employee perceptions of organizational caring (EMPOCARE). They show that although employees in family firms may receive less generous formal HRM programs, they can still feel better "taken care of" than employees in nonfamily firms, and they reciprocate through stronger

thriving and productivity. They also report that within family firms, higher family ownership concentration is linked to higher EMPOCARE (Christensen-Salem et al., 2021). This matters for HRM models because it points to a mechanism: relational governance can produce real employee benefits when employees interpret the family's approach as responsible care rather than arbitrary control.

This evidence helps explain why relational HR systems can remain stable. When care is credible, employees may tolerate more discretion because they see it as protective and personal. This is consistent with the idea that SEW can encourage long-term orientation and stakeholder care. A recent study on Chinese listed family firms argues that SEW and family control can support a long-term orientation linked to ESG engagement, and that proactive ESG strategies strengthen the positive effects of family control on financial outcomes (C. Zhu et al., 2025). ESG is not an HR system, but it is linked to HR-relevant outcomes such as employer reputation and acceptance. In that sense, the same SEW logic that supports ESG efforts can also support HR choices aimed at keeping trust, reducing conflict, and retaining talent.

2.3.5 Key theoretical implication

The SEW literature supports two points that matter for analyzing HRM patterns in family firms. First, SEW helps explain why relational HRM is attractive and persistent. Relational practices can preserve family control, reinforce identity, strengthen social ties, and protect emotional value, especially where trust and long-term reciprocity are central (Berrone et al., 2012; Christensen-Salem et al., 2021). Second, SEW also helps explain why formal HR systems may be adopted in a selective and strategic way. Professional HR systems can reduce agency problems and support competitiveness, but they also need safeguards so that they do not intensify fairness concerns linked to bifurcation bias (Madison et al., 2018; Verbeke & Kano, 2012). In China, this balance can shift further. Families may use political ties or ESG engagement to protect SEW while pursuing performance goals, which suggests that SEW-driven choices are shaped by context rather than fixed tradition (Meng et al., 2024; C. Zhu et al., 2025).

Hybrid HRM follows naturally from this logic. It can be seen as a governance solution under mixed goals: families want to protect SEW while building HR systems that outsiders recognize as fair, predictable, and scalable. SEW provides the motivational base for this argument, while research on HR professionalization and bifurcation bias

highlights when hybrid systems are likely to be stable and when they may create new tension (Madison et al., 2018; Rosecká & Machek, 2023). Measurement work also reminds that SEW priorities vary across families and over time, so hybrid HRM can take different forms rather than one fixed design (Gerken et al., 2022; Reina et al., 2023). This sets up the next step of the thesis: recruitment, appraisal, promotion, and rewards can be examined as the concrete sites where families balance control, care, fairness, and growth.

2.4 Stewardship theory vs. agency theory

Stewardship theory assumes that managers can be guided by identification, duty, and collective goals, not only by self-interest (Davis et al., 1997). This logic aligns closely with the emotional attachment component of SEW, because it treats the firm as part of a valued identity and not merely an asset to optimize. When the business is tied to family legacy and reputation, relational bonds can become an end in themselves rather than only a tool for performance. This helps explain why relational HRM can remain attractive and persistent in many family firms, including in contexts where long-term reciprocity and moral obligation shape workplace expectations. Relational HRM practices—such as informal mentoring, flexible arrangements based on personal circumstances, and loyalty-based recognition—can function as governance mechanisms in everyday work. They reduce friction, encourage cooperation, and make employees interpret the employment relationship as long-term and mutual rather than transactional (Madison et al., 2016). Recent evidence supports this mechanism: family-firm employees may report stronger perceived organizational caring even when the firm is not more generous in formal HR provisions, suggesting that care, trust, and reciprocity can be delivered through relational channels that are consistent with SEW preservation (Christensen-Salem et al., 2021). Importantly, SEW research also highlights that what families seek to protect can change with threats and reference points (Swab et al., 2020). From a stewardship perspective, this makes relational HRM particularly meaningful: it is a flexible way to protect identity and social ties when formal systems feel too rigid or when families fear that "professionalization" could weaken closeness and control.

Agency theory starts from a more cautious assumption. When interests diverge and information is uneven, managers may act opportunistically unless incentives and monitoring reduce the opportunity to do so (Jensen & Meckling, 1976). This logic becomes salient as family firms grow, hire nonfamily executives, or face stronger market

scrutiny. In those settings, informal relationship-based control may no longer be enough, because decision-making becomes more complex and the consequences of inconsistency become more visible to outsiders and to nonfamily employees. Formal HRM therefore gains importance as a governance tool: clear job expectations, formal appraisal criteria, transparent promotion standards, and documented reward rules make decisions easier to justify and harder to manipulate. They also provide employees with signals of procedural fairness, which matters when talented nonfamily staff evaluate whether the firm offers predictable career opportunities. Agency problems are not confined to the classic owner–manager relationship. Family involvement can generate distinctive agency risks such as altruism that weakens discipline, free-riding, and conflicts among relatives, which can spill over into HR decisions and shape how fairness is perceived by nonfamily employees (Schulze et al., 2001). In practice, this is where concerns about bifurcation bias become relevant: if HR decisions are seen as favoring family insiders, formal systems may be adopted to reduce discretion and protect acceptance (Casprini et al., 2024). At the same time, agency logic does not imply that trust is irrelevant. Instead, it explains why trust often needs "guardrails" as firms professionalize: formal HR systems can supervise and align nonfamily managers, reduce internal disputes, and reassure employees that outcomes are not purely relationship-driven (Jensen & Meckling, 1976; Schulze et al., 2001).

Above all, stewardship and agency offer a complementary explanation that fits the hybrid HRM logic developed in the previous section. SEW helps explain why families value identity and emotional attachment and therefore invest in relational bonds and caring climates. Stewardship theory clarifies how these motives translate into trust-based governance and relational HRM in daily management (Christensen-Salem et al., 2021; Davis et al., 1997). At the same time, SEW preservation can also raise the stakes of perceived unfairness and reputational risk, especially when nonfamily managers and employees become central to growth. Agency theory explains why families may selectively introduce formal HR systems to protect control, reduce opportunism, and make decisions appear fair and consistent (Jensen & Meckling, 1976; Schulze et al., 2001). This combination supports the central claim that hybrid HRM is not a temporary inconsistency but a practical governance solution: relational practices sustain

commitment and social cohesion, while formal systems protect fairness, predictability, and scalability as the firm expands (Casprini et al., 2024; Madison et al., 2016)

2.4.1 Why both logics often operate together

A key insight in recent family business research is that stewardship and agency are not mutually exclusive. Many governance systems combine trust-based and control-based elements, and the balance can shift over time (Madison et al., 2016). This is where the idea of "hybrid" governance becomes useful. Rather than asking whether a family firm is stewardship-oriented or agency-oriented, it is often more realistic to ask *which* relationships are governed by trust and which are governed by controls, and how the mix changes with growth, succession, and external pressure.

Scholes et al. (2021) offer a helpful way to describe this mix by separating two governance dimensions: family management and family guardianship. Family management reflects direct family involvement in managing the firm, which can strengthen internal coordination but may also concentrate discretion. Family guardianship refers to structures that protect long-term interests and provide oversight, such as family councils or other monitoring arrangements. The value of this distinction is that it makes coexistence easier to explain. A firm can rely on relational coordination in some areas while building oversight mechanisms in others. That pattern fits the observation that family firms may promote loyalty and shared identity while also formalizing key decision points to limit bias and reduce conflict (Scholes et al., 2021).

This coexistence is especially relevant for HRM because HRM is where governance becomes visible in daily life. Employees experience governance not only through ownership structure, but through hiring decisions, evaluation conversations, promotion pathways, and conflict handling. A hybrid governance logic can therefore produce a hybrid system: relational practices may dominate in day-to-day management and social integration, while formal rules shape high-stakes decisions such as promotion, discipline, and executive accountability. This mix can also be a practical response to SEW dynamics. If reputation and family identity are central reference points, relational HRM can reinforce belonging and loyalty. If fairness concerns or talent retention become pressing, formal HRM can protect acceptance and reduce perceptions of favoritism.

2.4.2 Linking the theories to HRM choices: formality and informality

Recent HRM-focused work in the family firm context pushes this argument further. Casprini et al. (2024) describe family-firm HRM as a continual movement between formality and informality rather than a simple linear path toward professionalization. Informal practices can emerge from family, close ties, and shared history. At the same time, formalization can appear when firms need consistency, transparency, and scalable coordination. This "dance" between informal and formal approaches is not just a stylistic preference. It reflects underlying governance logics: stewardship supports flexibility and relational exchange, while agency supports standardization and accountability.(Casprini et al., 2024).

Casprini et al. (2024) also underline that formalization can address a central tension in family firms: differential treatment between family and nonfamily members. Even when leaders are caring, perceived bias can undermine morale and weaken trust. Formal HR rules—clear criteria, documented processes, and consistent implementation—can reduce room for arbitrary decisions and help employees interpret outcomes as legitimate (Casprini et al., 2024). This does not eliminate relational management. Instead, it can provide boundaries that make relational practices safer and more credible. In that sense, formal HRM and relational HRM can act as complements: relational practices build commitment and social cohesion, while formal practices protect fairness and reduce conflict.

Overall, agency theory and stewardship theory make it possible to explain why family firms often display both relationship-based and formal HRM at the same time. Stewardship highlights the role of identity, duty, and long-term commitment in shaping trust and caring climates (Davis et al., 1997). However, agency highlights the need for monitoring and formal systems when interests diverge and information is uneven (Jensen & Meckling, 1976; Schulze et al., 2001). The coexistence of both logics helps explain why hybrid governance and hybrid HRM are not exceptions, but common solutions to the practical tensions that family firms face as they grow and professionalize (Casprini et al., 2024; Madison et al., 2016; Scholes et al., 2021).

Furthermore, to understand HRM in family firms, it is not enough to describe practices as "relational" or "formal" We also need to explain why these choices are made. SEW helps us describe the family's key motivations (e.g., identity, control, emotional

attachment), but motivations still need a mechanism to become HR decisions. For this reason, I introduce two governance logics—stewardship and agency—and summarize their main ideas and HR implications in Table 3.

Table 3 Stewardship vs. Agency: governance assumptions and HRM implications.

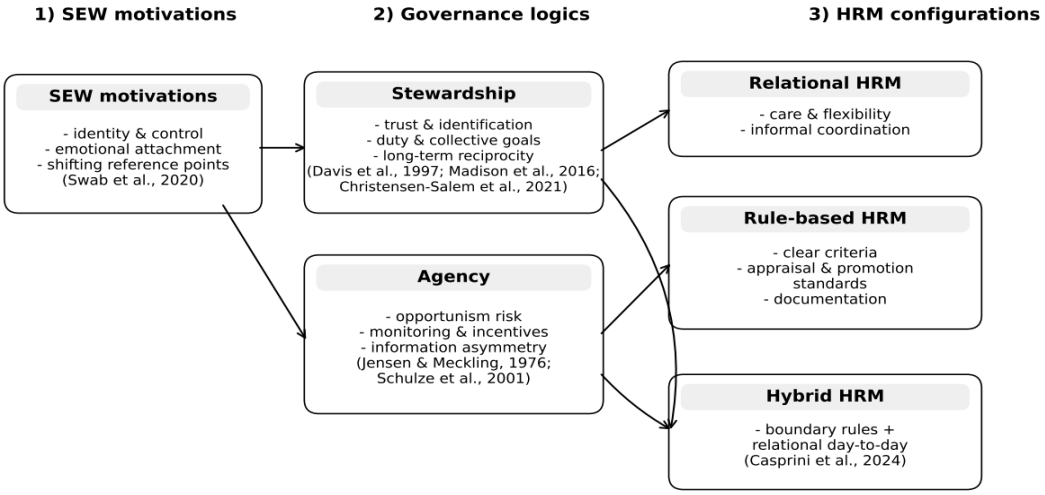
DIMENSION	STEWARDSHIP LOGIC	AGENCY LOGIC
HUMAN ASSUMPTION / MOTIVE	Managers can be guided by identification, duty, and collective goals; trust and reciprocity are feasible bases of coordination (Davis et al., 1997).	Managers may act opportunistically when interests diverge and information is uneven; incentives and monitoring reduce the risk (Jensen & Meckling, 1976).
MAIN RISK ADDRESSED	Breakdown of commitment if relationships and identity weaken; loss of cohesion and long-term reciprocity (Madison et al., 2016).	Opportunism, free-riding, hidden actions, and misalignment, including within-family agency issues (Schulze et al., 2001).
GOVERNANCE MECHANISM	Relational governance: shared values, moral obligation, social control, and long-term orientation (Madison et al., 2016).	Formal governance: contracts, incentives, oversight, and accountability structures (Jensen & Meckling, 1976).
HRM IMPLICATION	Relational HRM: care, flexibility, informal mentoring, and personalized support to build trust and commitment (Christensen-Salem et al., 2021).	Formal HRM: clear job roles, appraisal criteria, promotion standards, and documentation to improve consistency and defensibility (Schulze et al., 2001).
TYPICAL TRIGGERS	High SEW salience; stable long-term employment relations; strong identity concerns; preference for close coordination (Swab et al., 2020).	Growth, professionalization, hiring nonfamily executives, external scrutiny, and fairness concerns among nonfamily employees (Jensen & Meckling, 1976).
DOWNSIDE IF OVERUSED	Risk of favoritism, opaque decisions, and uneven treatment (bifurcation bias concerns may rise).	Risk of bureaucracy, reduced flexibility, and weaker relational bonds; trust may erode if systems feel purely transactional.

Source. author's elaboration

Table 3 shows that stewardship and agency are not simply "either–or." In many family firms, both logics can exist at the same time, depending on the situation. Stewardship usually supports trust, long-term relationships, and flexible people management, while agency highlights monitoring, clear rules, and formal procedures. This comparison also helps explain why many firms end up with a hybrid HRM approach—rules for key boundaries, but relational coordination in daily practice.

Based on this discussion, Figure 5 presents an integrative model that links three levels: SEW motivations, governance logics (stewardship vs. agency), and HRM patterns (relational, formal, and hybrid).

Figure 5 *Stewardship Theory vs. Agency Theory: governance assumptions and HRM configurations*



Source. author's elaboration

The goal of the figure is to make the argument more visible and logical: it shows how family goals and governance thinking can lead to different HRM designs and outcomes, highlights the main idea of this chapter: when SEW motivations are stronger and stewardship logic dominates, firms are more likely to use relational HRM (care, flexibility, informal coordination). When monitoring needs and fairness concerns increase, agency logic becomes more important and firms tend to adopt formal HRM (clear criteria, documentation, formal appraisal). In many real cases, both forces operate together, leading to hybrid HRM. In the next chapter, I use this model as a guide to review specific HR practices (e.g., recruitment, training, pay, appraisal) and to compare how different patterns work in practice.

2.5 Toward an Integrative Framework

Even with these insights, two gaps remain when the focus is the overall HRM pattern. First, cultural explanations and governance explanations are often placed next to each other rather than combined into one story. Cultural work explains why relationship-based authority, reciprocity, and harmony norms matter in daily management. However, it often does not explain why the same firm uses more rules in some HR areas but keeps other areas more relationship-based. Governance work (SEW, agency, stewardship) explains motives and views of human behavior, but it does not always show how those motives become concrete HR choices across areas such as hiring standards, performance appraisal, promotion, and rewards. As a result, the literature offers strong pieces of explanation, but

it still lacks a clear picture of how relationship-based and formal elements are put together, and why that mix can stay stable.

Second, context is often mentioned but not always used as part of the explanation. Many studies recognize that family firms differ, yet the factors that shape the balance between trust-based coordination and formal control are sometimes treated as background. This matters because the pressures shaping HRM are often easy to observe in practice: firm growth, professionalization, succession stage, bringing in nonfamily executives, and changing expectations about fairness. If these factors are not placed at the center, it becomes hard to explain why hybrid HRM is common and why it can look different across firms and across time (Swab et al., 2020).

To address these gaps, this thesis proposes an integrative framework. The framework connects four parts: (1) what drives HRM choices, (2) how governance thinking guides design, (3) what factors shape the trade-offs, and (4) what HRM patterns can be seen in practice. As a starting point, the framework treats cultural norms and SEW motives as two connected drivers. Culture shapes what kinds of authority, obligation, and reciprocity feel acceptable in the workplace. SEW then helps explain why families protect identity, control, emotional ties, reputation, and continuity through HR decisions. Importantly, SEW priorities are not fixed. They can change when families face new threats or when their reference points change, which helps explain why HRM patterns vary rather than following one "traditional" path (Swab et al., 2020).

The next part of the framework is governance logic—how motives are turned into design choices. Stewardship and agency are treated as complementary lenses rather than an either–or choice. Stewardship helps explain why relational HRM can work as a real way of managing and coordinating people, not just as "being nice." When managers strongly identify with the organization and share its goals, trust and reciprocity can support cooperation and strengthen commitment in daily work (Davis et al., 1997). This fits evidence that employees in family firms may feel stronger organizational caring even when formal HR programs and benefits are less generous. It suggests that care and commitment can be built through day-to-day relationships that employees experience as genuine and consistent (Christensen-Salem et al., 2021).

Agency logic, by contrast, becomes more important as roles become more separate, the firm gets larger, and the costs of inconsistency rise—especially when nonfamily

executives and skilled nonfamily employees become central to growth. In these situations, more formal HR practices can help. They make decisions easier to explain, easier to check, and less dependent on personal judgment. Put simply, agency concerns can show up in HRM through clearer role expectations, clearer appraisal criteria, and more transparent promotion standards (Jensen & Meckling, 1976; Schulze et al., 2001).

A key claim in this thesis is that hybrid HRM is often what we should expect when goals are mixed. Agency and stewardship both speak to how governance shapes behavior, so it is common for both logics to operate in the same family firm (Madison et al., 2016). In HRM terms, relationship-based practices can support belonging and cooperation in day-to-day management, while formal rules can structure high-stakes decisions where fairness and accountability are most visible, such as promotion, discipline, and executive evaluation. Recent HRM-focused synthesis supports this view. Casprini et al. (2024) describe family-firm HRM as an ongoing movement between informal and formal approaches rather than a simple one-way shift toward professionalization. This fits the argument developed here: hybrid HRM is not just a midpoint, but a repeated solution that places formality and relational flexibility in different HR areas, depending on what the family is trying to protect and what the organization needs in order to grow and coordinate at scale (Casprini et al., 2024).

The framework also places key factors at the center. Two factors are especially important for this thesis: professionalization/scale and generational stage. As firms grow and professionalize, relationship-based governance can become harder to sustain without creating insider–outsider boundaries and fairness concerns. At the same time, more formal systems can improve transparency but may trigger resistance if they are seen as weakening family control or long-standing relational routines. These tensions are exactly the conditions under which agency concerns become stronger and formal "guardrails" can help trust-based systems work in a fairer and more consistent way. Generational change can also shift SEW priorities and risk preferences, which affects what families expect HRM to achieve and how much flexibility they accept (Swab et al., 2020). In China, outside pressures add another layer: market and regulatory demands can push firms to adopt some formal HR elements, while relationship-based ways of working may still shape daily implementation and employee experience.

Putting these elements together, the integrative framework links three visible HRM patterns to different but connected governance forces. Relational HRM is more likely when cultural acceptance and SEW protection support trust-based coordination, and when stewardship assumptions about identification and shared goals hold in daily work (Christensen-Salem et al., 2021; Davis et al., 1997). Formal HRM becomes more likely when agency risks, outside scrutiny, or fairness concerns make transparency and documentation valuable—especially for nonfamily employees who want consistent standards and predictable career paths (Jensen & Meckling, 1976; Schulze et al., 2001). Hybrid HRM becomes the most likely pattern when both needs are present: families want to protect SEW and relational cohesion, while also building HR systems that outsiders see as fair, scalable, and reliable (Jensen & Meckling, 1976; Schulze et al., 2001).

This framework helps the rest of the thesis in two ways. First, it connects cultural accounts and governance accounts into one explanation of HRM patterns. It helps explain why a firm can look "formal" in one HR area and "relational" in another without being inconsistent. Second, it offers a clear way to organize the next chapters. Recruitment, appraisal, promotion, and rewards can be examined as practical sites where mixed goals become visible, and where the stability of hybrid arrangements can be assessed through employee-relevant outcomes such as fairness perceptions, willingness to speak up, commitment, and retention.

2.6 Conclusion

This chapter explored the key cultural and governance factors that shape how human resource management (HRM) works in Chinese family businesses. One clear takeaway from the literature is that HRM in this context is rarely just "relational" or strictly "formal." Instead, HR practices tend to reflect a mix of cultural norms, family priorities, and practical business needs. Building on the framework introduced in Chapter 1, the discussion was organized around three broad HRM patterns—relational, formal, and hybrid—to ground the analysis in real-world management practices, not just abstract theory.

The review first shows that relational HRM has deep roots in Confucian values and the idea of socioemotional wealth (SEW). Cultural traditions help explain why authority based on relationships, mutual respect, social harmony, and clearly defined family roles can seem not only acceptable but expected in everyday business operations—especially

in firms built on trust and long-term relationships. At the same time, SEW theory explains why these relational approaches aren't just holdovers from the past; they also serve a strategic purpose. For family firms, HR decisions are often a way to protect things like identity, emotional bonds, control, and long-term continuity. This makes relational HRM appealing and enduring, as it builds loyalty, encourages cooperation, and shows employees that they are cared for—something they can feel in their day-to-day experience. It points out that formal HRM tends to arise from a different set of concerns. As companies expand, roles become more specialized, and nonfamily professionals take on more responsibility, the need for structure and accountability grows. From an agency theory perspective, things like performance monitoring, clear job expectations, and documented processes help manage potential conflicts and reduce uncertainty. Practices such as standardized hiring criteria, consistent performance evaluations, and transparent promotion systems help minimize bias and make decisions easier to defend—especially in environments where fairness is under scrutiny.

In family firms, this matters because the risks aren't just between owners and managers. Internal family dynamics—like excessive altruism, free-riding, or conflict between relatives—can also impact HR decisions and influence how outsiders perceive the fairness of the system.

Bringing both relational and formal approaches together leads to the chapter's main takeaway: hybrid HRM is not the exception but often the norm. The governance analysis shows that trust-based and control-based approaches can coexist and even shift depending on the relationship or decision at hand. Rather than moving in a straight line toward professionalization, family firms often toggle between informality and structure. Many seem to manage this balance by formalizing HR processes that are most public and sensitive to fairness—like promotions, disciplinary actions, and leadership roles—while keeping more relational flexibility in everyday tasks and team interactions.

Context is not only background. It shapes which HR practices become possible, acceptable, and credible in Chinese family firms. Factors like company size, degree of professionalization, leadership succession, generational change, the involvement of nonfamily executives, and evolving expectations around fairness all influence whether firms lean more toward relational, formal, or hybrid HRM models. These real-world conditions help explain the diversity in HR practices across firms and over time.

To link these ideas, I propose an integrative framework that connects culture and SEW to governance logic and HRM patterns. Building on the theoretical lens, Chapter 3 applies it to hiring, development, rewards, and employee voice. It explores how these HRM patterns show up in specific areas—like hiring, training and succession planning, compensation, and employee relations—and what they mean for important employee outcomes such as fairness, voice, commitment, and retention.

3. CHAPTER

HRM PRACTICES IN CHINESE FAMILY BUSINESSES

3.1 Introduction

Chapters 1 and 2 set the main idea of the thesis: HRM in Chinese family firms is rarely only relationship-based or only rule-based. In most cases, the two sit together. What matters is where firms rely on personal trust and discretion, where they insist on clear rules and records, and how employees judge the result in terms of fairness, protection, and willingness to speak up.

Chapter 3 moves from this explanation to HR practice. Its purpose is not to list "common" HR tools. Instead, it shows how the same drivers lead to different mixes of relationships and rules across HR areas, and why this difference is central to the strengths and risks of hybrid HRM in China.

The chapter is organized around three core HR processes—recruitment and selection; training, development and succession; and compensation and employee relations/voice—because these areas reveal the clearest trade-offs between trust-based control and rule-based fairness. Across all three processes, the review follows one consistent question: where rules are binding, where exceptions are allowed, and whether these choices feel predictable and fair to insiders and outsiders.

By the end of Chapter 3, the thesis has a clear picture of how hybrid HRM is built across HR processes. This prepares Chapter 4, which treats ESG-related pressure as a stress test: it can push firms to strengthen minimum standards in employee-facing areas, while also making gaps between written policy and daily practice easier to see.

3.2 HRM systems: formalization vs. informality

Treating HRM as a system: linked decisions about hiring, development, performance review, rewards, and employee voice. This system view matters in family firms because family involvement does not influence only one HR practice; it often affects the logic behind multiple people-related decisions at the same time. In the family firm setting, HRM is therefore not simply "more or less professional." Instead, it is shaped by the ongoing interaction between family priorities and organizational needs (Casprini et al., 2024).

This chapter uses three ideal patterns. Relational HRM refers to people management that relies mainly on trust, proximity, and informal authority, where decisions are often justified through relationships and moral obligations. Formal HRM refers to systems built around written rules, standardized criteria, and documented procedures that make decisions more transparent and defensible. Hybrid HRM describes patterns where relational and formal elements co-exist in a structured way, with formality placed more strongly in some processes while relational flexibility remains influential in others. Section 3.2 explains why hybrid HRM can be stable in Chinese family firms, not just a transition phase. The literature does not suggest a simple path from informal HRM to formal HRM. Firms often keep both and adjust the mix over time. Casprini et al. (2024) synthesize the field and describe it as "a dance between formality and informality" in family-firm HRM. (Casprini et al., 2024). This matches my argument: firms may formalize the most sensitive areas while keeping relational discretion in daily coordination. In this sense, the main question is not whether formal rules exist, but how the firm places and enforces them, and how employees experience the resulting system.

3.2.1 Why informality persists: stewardship logic and informal institutions

Informal HRM is not always a sign of weak HR. In many family firms, it is a deliberate way to manage people. In the family firm context, informal people management can function as a governance resource. Casprini et al. (2024) describe an informal approach as being closely linked to stewardship, where people management aims to build social cohesion, strengthen a shared value system, and guide individual and collective actions. They also note that limited formalization in areas such as training and compensation can reflect a preference for adaptability and for decisions that consider employees' emotions and feelings at work. In this view, informality can support commitment and a "family-

like" climate, especially when employees perceive the owner's care and responsibility as genuine. (Casprini et al., 2024).

In China, this relational logic is reinforced by broader informal institutions. Xu and Guo (2024) frame clan culture as an informal institution that remains influential in emerging markets where formal legal systems are imperfect. They describe clan culture as "the bedrock of family business governance," emphasizing strong informal contracts, bloodline-based affinity, and a "natural foundation of trust" that facilitates relatives' entry into the business and participation in governance. They also highlight the role of moral ethos, solidarity, and reciprocity in shaping governance and supporting stakeholder relations and resource allocation (S. Xu & Guo, 2024). Although their empirical focus is CSR, the mechanism they describe offers a clear implication for HRM: if trust and relational obligations are socially embedded and reinforced, family owners can plausibly rely on relational coordination and informal authority in staffing and daily management without immediately facing resistance from insiders.

A historical perspective strengthens this interpretation. Chen et al. (2021) explain that the Chinese idea of *jia* (family) goes beyond private kinship. It is tied to role differentiation, solidarity, shared property, and shared production and consumption, and it includes mutual rights and responsibilities guided by social norms and values. They further note that family has emotional and social functions, including supporting members and passing on traditions and values across generations (L. Chen et al., 2021). This helps explain why many Chinese family firms can treat people management as an extension of family-based coordination. For example, informal mentoring, informal rewards, and "relationship-first" conflict handling can appear legitimate within the internal moral order of the organization, particularly when the firm still sees itself as a community rather than a purely contractual workplace.

In the Chinese context, this relational orientation is not only a managerial preference; it is also linked to a broader social grammar of roles and obligations. Chen et al. (2021) describe *jia* as a social unit with role differentiation and mutual responsibilities guided by norms and values, which also serves emotional and social functions such as supporting members and transmitting traditions across generations. In a family-firm workplace, this way of thinking can make relationship-based people management feel "normal" to insiders: employment is more easily interpreted as belonging to a community with

expectations of loyalty, reciprocity, and moral conduct, rather than only a contractual exchange (L. Chen et al., 2021). Xu and Guo (2024) similarly portray clan culture as an informal institution built on strong informal contracts and a natural foundation of trust among relatives, which helps explain why families can rely on relational screening and informal coordination when making staffing and daily management decisions. In HRM terms, the key point is that informality is sustained because it is embedded in a locally legitimate governance logic, not simply because formal tools are absent (L. Chen et al., 2021; S. Xu & Guo, 2024). At the same time, the persistence of informality should not be romanticized. Relational systems can work well when the firm is small, when roles are clear to insiders, and when trust is widely shared. However, as soon as the workforce becomes more diverse and the firm relies more on nonfamily employees, the same informal logic can produce ambiguity and perceived unfairness. This tension is the point where formalization becomes a necessary part of the HRM system.

3.2.2 Why formality emerges: complexity, acceptance, and fairness risks

Formal HRM emerges when relational coordination alone is not sufficient to manage growth, acceptance demands, and internal fairness risks. Casprini et al. (2024) emphasize that scholars increasingly call for attention to HRM design choices that can curb discriminatory practices and foster an empowering work climate that engages nonfamily members (Casprini et al., 2024). This suggests that formalization is not only about efficiency. It is also about making decisions easier to explain and defend. It is also used as a trust mechanism that can help stabilize employment relationships in a family-controlled setting.

As firms grow, purely informal coordination reaches its limits. Casprini et al. (2024) note that firm size matters: smaller family firms are more likely to opt for informality and stewardship, while larger firms are more likely to embrace formalized and professionalized approaches. When the number of employees grows, decisions based on personal familiarity become harder to defend, and the consequences of inconsistency become more visible. In such conditions, formal elements—job descriptions, recruitment criteria, appraisal rules, promotion standards, and documented decisions—can reduce uncertainty and support coordination across units and managerial levels (Casprini et al., 2024).

In China, formalization pressure is also closely tied to the changing competitive environment and the resulting need for professional talent. Chen et al. (2021) note that many Chinese family firms face growth and competition pressures and may need to become more inclusive by hiring more nonfamily professionals as innovation and internationalization become more important. Once the firm depends more on nonfamily specialists and managers, purely relational coordination becomes harder to scale and easier to contest, because outsiders may not share the same family-based moral expectations and will evaluate HR decisions through clearer standards (L. Chen et al., 2021). This is where formal HR elements become practically necessary as "guardrails": they help make hiring, promotion, and reward decisions easier to justify and communicate, and they can reduce the risk that nonfamily employees interpret outcomes as insider privilege. This logic is consistent with the family-firm HRM concern that discrimination and bifurcation tendencies can undermine the work climate and the firm's long-term viability, which is why HRM design is often discussed as a way to curb unfairness and engage nonfamily members more credibly (Casprini et al., 2024; L. Chen et al., 2021).

Second, formal HRM can respond to pressure to be accepted by outsiders. In the family firm HRM literature, professionalization and formalization are linked to the pursuit of institutional acceptance and social acceptability, particularly when the firm becomes more visible to external stakeholders (Casprini et al., 2024). In practice, acceptance is not only an external issue; it also affects internal employment relations. As competition increases and firms become more dependent on professional talent, family owners may need to signal that the organization is not governed purely through private preferences. Formal HR practices can function as organizational signals that employment decisions have recognizable standards and are not only relationship-based.

Third, and most importantly for this thesis, formal HRM addresses fairness risks and the potential for discriminatory outcomes. Casprini et al. (2024) highlight that the family–nonfamily divide can generate discrimination, including unfair promotion and bifurcated compensation, and they stress that such bias can damage the work climate and the firm's long-term viability. Their synthesis suggests that unfair treatment can weaken mutual trust, limit access to nonfamily talent, and disrupt employee relationships (Casprini et al., 2024). In this context, formal rules do not necessarily replace relational management; instead, they can act as guardrails that limit arbitrary discretion in high-stakes decisions.

This is aligned with the argument developed in Chapter 2: formalization becomes especially important in decisions that directly shape employees' perceptions of justice, such as recruitment gates, promotion criteria, performance feedback, and compensation decisions.

It is also important to acknowledge that formalization itself does not automatically solve the problem. Formal rules that exist only on paper can still coexist with informal exceptions. Therefore, for this thesis, the key role of formal HRM is not simply "documentation," but the potential to create more consistent and explainable decision processes—particularly in areas where employees are sensitive to favoritism and insider privilege.

3.2.3 Hybrid HRM: selective formalization and relational flexibility

Given these opposing forces, hybrid HRM appears as a realistic and often stable pattern in Chinese family firms. Casprini et al. (2024) argue that there is no "one best recipe" for family-firm HRM. Instead, the field calls for understanding how tailored HR practices can align the formality of management decisions with the informality of organizational dynamics (Casprini et al., 2024). This argument supports a core claim of this thesis: hybridity should be evaluated by the placement of formality and the boundaries of discretion, rather than by whether the firm contains both elements in general.

One clear way to see hybrid HRM is to ask where rules matter most for fairness and trust. Some processes are structurally fairness-sensitive and strongly shape employee trust. Recruitment and promotion decisions are often interpreted as signals of whether opportunities are open to outsiders or limited to insiders. Compensation and performance systems can quickly produce perceptions of favoritism if criteria are unclear or applied inconsistently. In these areas, formal rules, documentation, and clearer standards can reduce conflict and strengthen trust. At the same time, other domains—such as informal mentoring, daily supervision, individualized support, and the maintenance of a caring climate—may remain relational, because these practices are closely tied to commitment and emotional bonds that often constitute the "family-like" advantage of family firms (Casprini et al., 2024).

The Chinese institutional environment makes this hybridity particularly plausible. Xu and Guo (2024) treat informal culture and formal institutions as co-existing forces rather than pure substitutes. They also indicate that formal institutional development can weaken the

impact of clan culture (S. Xu & Guo, 2024). For HRM, this suggests that as institutional expectations shift and external scrutiny increases, reliance on informal cultural governance may be moderated in some areas, while remaining powerful in others. In other words, relational authority can remain meaningful for insider coordination and moral obligation, while formal HR mechanisms become more salient for contracts, appraisal routines, and grievance handling.

This system logic is also consistent with how the Chinese family business context is described historically and institutionally. Chen et al. (2021) point out that many Chinese family firms face growth pressures and may lack sufficient resources, and they note that business families may need to become more inclusive by hiring nonfamily professionals as competition increases and innovation and internationalization become more important. Once nonfamily professionals enter the organization in larger numbers, the costs of informal ambiguity increase, and the incentive to introduce at least some formal HR guardrails becomes stronger (L. Chen et al., 2021). Yet because family logic remains central, full bureaucratization is unlikely. The more typical outcome is a negotiated pattern where formality and relational discretion are combined in ways that preserve control while reducing internal friction.

Therefore, a system perspective is necessary because the presence of formal policies does not guarantee that employees experience fair and consistent treatment. Family-firm HRM research highlights that bias and discrimination can emerge even in firms that value loyalty and care, because practices may still be shaped by bifurcation tendencies and the family–nonfamily divide (Casprini et al., 2024). For employees, the trust of HRM is judged through everyday signals: whether standards are applied consistently, whether information is shared openly, and whether decision-making exceptions are perceived as legitimate or as favoritism.

This is also where hybrid HRM becomes visible in concrete terms. A firm may rely on relationship-based channels to identify candidates while using more explicit criteria to make final hiring decisions. It may use informal bonuses to express care but still maintain clear pay bands and approval boundaries to reduce conflict. These combinations are not contradictions; they represent a way to manage competing demands. However, the system becomes fragile when the boundary between “relational flexibility” and “arbitrary exception” is unclear. In such cases, employees may interpret the same relational

practices that once signaled care as signals of insider privilege. This is why, throughout Chapter 3, the analysis focuses not only on whether practices are relational or formal, but on how they are combined and how they shape employee-relevant outcomes such as fairness, commitment, and willingness to voice concerns.

Section 3.2 provides the system-level logic for the rest of this chapter. Casprini et al. (2024) call for research that examines management decisions used to curb discriminatory practices and foster an empowering work climate and engaging nonfamily members, and they also emphasize the need to understand how succession can affect HRM practices (Casprini et al., 2024). These directions match the structure of this thesis. The following sections therefore apply the relational–formal–hybrid lens to specific HR processes, starting with recruitment and selection, then moving to training and development (including succession-related development), and later to performance and compensation, as well as employee relations and well-being. The purpose is to show how hybridity is constructed across domains and why it can be understood as a stable response to a context where informal institutions remain influential while formal pressures and fairness expectations continue to grow (S. Xu & Guo, 2024)

3.3 Recruitment and selection in Chinese family firms

Recruitment is the first gate of the HR system. It decides who enters, and it also sends a signal about what the firm values. In Chinese family firms, this entry point often operates under two competing needs. The first is a strong need for trust. When owners feel that written contracts and formal checks cannot fully protect them in daily work, they tend to treat trust as the first requirement for hiring. In this context, guanxi-based channels are not just "culture." They work as a practical way to reduce uncertainty because candidates come with social endorsement and shared obligations (Su et al., 2023).

The second need is fairness and openness. As the firm grows and becomes more dependent on nonfamily staff, recruitment becomes the stage where insiders and outsiders are clearly separated. This matters because outsiders judge the firm before they join. If access looks "circle-based," high-quality candidates may not even apply, and those who join may doubt whether effort will be rewarded fairly. In other words, the recruitment gate does not only decide who is hired; it also shapes the firm's reputation in the labor market.

3.3.1 Why relationship channels can be rational in China: trust-based screening

A useful way to describe relationship-based recruitment is to call it trust-based screening. In Chinese family business settings, guanxi relationships carry information. They allow owners to infer a candidate's reliability through the introducer's reputation and the social cost of breaking trust. Su et al. (2023) explain that guanxi is built through ongoing exchanges of favors and obligations, which create durable expectations of reciprocity. In recruitment terms, this means that a referral is often treated as more than a recommendation. It is a form of informal guarantee: the candidate is embedded in a social network where behavior has consequences (Su et al., 2023).

This trust logic becomes stronger when the job involves sensitive resources. Chen et al. (2021) note that founders tend to have stronger trust toward family or guanxi-connected members and can be reluctant to share specialized assets with outsiders because they fear misuse and lack deeper trust. Their focus is successor choice, but the mechanism helps explain recruitment into key roles: when owners believe that trust is a condition for access to important knowledge, clients, or internal decision spaces, they naturally prefer candidates who are screened through trusted ties (M. Chen et al., 2021).Therefore, relationship channels can be rational in the Chinese family firm context for two concrete reasons: they reduce search and checking costs, and they reduce the owner's anxiety about opportunistic behavior. This is why many firms use referrals, introductions, and informal networks as the first step of hiring.

3.3.2 Fairness concerns and weak external attraction

However, the same design creates predictable risks. The main issue is not that a firm uses referrals, but that referrals can become a closed entry gate. Once recruitment is strongly tied to close relationships, outsiders may interpret outcomes as driven by "who you know" rather than "what you can do." This perception matters because it shapes procedural fairness from the start of the employment relationship.

Evidence supports this fairness mechanism. Chen et al. (2004) show that when employees perceive HR decisions as guanxi-based, they judge procedures as less fair, and this reduces trust in management (C. C. Chen et al., 2004). Their argument is especially relevant to recruitment: most candidates begin as outsiders, and fairness judgments are often made from the viewpoint of people outside the guanxi circle. If selection appears to

bypass neutral criteria, trust problems can emerge early and then spill over into later HR processes such as promotion and pay.

Beyond fairness, relationship-dominated recruitment can weaken the firm's ability to attract external talent. Casprini et al. (2024) summarize that family firms may base recruitment and selection on closeness rather than formal qualifications and abilities, and they link this tendency to reduced attractiveness and talent shortages related to nepotism (Casprini et al., 2024). In the Chinese context, this is a serious constraint for firms that want to hire skilled nonfamily employees to support growth, innovation, or international work. Even if the firm does not hire unqualified relatives, a reputation for network-constrained recruitmentcan discourage strong outsiders from applying.

Finally, close-tie hiring can create negative side effects inside the organization. Chen and Chen (2009) discuss that close guanxi can generate harmful outcomes at the organizational level, including rule bending and loss of trust in authority, because benefits to a small subgroup create costs for others (C. C. Chen & Chen, 2009). For recruitment, the implication is clear: if "close ties" repeatedly win without clear standards, the firm may face a slow decline in shared trust and cooperation among non-guanxi members.

3.3.3 A workable solution

Taken together, the reviewed studies suggest that the issue is not whether guanxi exists, but how strongly it shapes final outcomes. Based on the reviewed studies, a plausible design implication is to separate "relationship entry" from a "rule-based threshold" for final decisions. Relationship entry means the firm uses referrals and network introductions mainly as a sourcing method. This matches the uncertainty-reduction logic described by Su et al. (2023).Rule-based threshold means that final selection is constrained by simple and visible standards, so outsiders can understand why someone is hired (Su et al., 2023). This directly targets the mechanism that when decisions look relationship-driven, people infer lower procedural fairness, and trust declines. (C. C. Chen et al., 2004).

In practice, "threshold rules" do not need to be complex. They can be designed as a small set of steps that are easy to follow and hard to bypass: (1) a short-written job requirement list; (2) the same interview questions for all short-listed candidates; (3) a basic work-sample test for skill-critical roles; and (4) a simple scoring record kept for key positions.

The point is not to turn the firm into a bureaucracy, but to ensure that relational access does not automatically become a guaranteed outcome.

This hybrid system also helps the firm send a credible message to the external labor market which says: relationships may open the door, but competence and fair process decide who passes the gate. This is important for attracting nonfamily talent, and it reduces the risk that outsiders interpret the firm as a closed circle (Casprini et al., 2024). It also protects internal trust because it limits the scope of private favors and makes decisions easier to explain, which is aligned with Chen and Chen's (2009) concern about the negative spillovers of close guanxi (C. C. Chen & Chen, 2009).

This recruitment discussion links directly to Section 3.2. A hybrid HRM system should be evaluated by where rules are placed and whether boundaries are clear. Recruitment is a critical test because it shapes the first fairness signal outsiders receive. In Chinese family firms, trust-based screening through guanxi channels can be locally rational, especially under uncertainty (Su et al., 2023). Yet if the entry gate becomes too closed, it can damage fairness perceptions and weaken external attraction, which then reduces trust and long-term talent access (Casprini et al., 2024; C. C. Chen et al., 2004). Therefore, "relationship entry, rule-based threshold" is not a slogan but a system design choice: it keeps the informational value of relationships while protecting procedural fairness and the firm's ability to recruit capable outsiders.

3.4 Training and development: leadership and succession

Following the SEW perspective in Chapter 2, this section examines one of the most HR-relevant processes in Chinese family firms: how a successor is selected and developed. The central proposition is that successor development is not a stand-alone training program. It is a family-controlled "people process." In this process, the family evaluates a candidate, grants authority step by step, and builds acceptance for the candidate as the future leader. In the Chinese context, this process is strongly shaped by culturally rooted expectations about hierarchy, filial duty, face, and gender roles. These expectations influence both who is considered a "proper" successor and what kind of development path is seen as legitimate (Lu et al., 2021; Xian et al., 2021).

To keep the discussion anchored in HRM, the section addresses two linked questions. First, who is selected, and why do families prefer a family member, a trusted insider, or (less often) an external professional manager? Second, how is the successor developed

through HR mechanisms such as internal experience, mentoring, job rotation, staged delegation, and clearer evaluation standards, especially during co-governance and in the case of female successors?

3.4.1 Successor selection as an HR talent decision

Successor choice is a governance decision, but it is also an HR talent decision. It determines who receives the firm's most valuable learning opportunities and who enters a fast-track pipeline long before the official handover. It also sends a message to nonfamily employees about career prospects. If the successor pool is closed, outsiders may conclude that top leadership is reserved for insiders, which can weaken their long-term commitment.

In China, selection often follows a "trusted insider" logic. Chen et al. (2021) show that founders influenced by Confucian values are more likely to choose either a family member or a guanxi-connected nonfamily person as successor, rather than a complete outsider (M. Chen et al., 2021). This is not only a cultural preference. It is also a risk-management logic. Many founders believe that trust and moral obligation reduce uncertainty when the future leader must handle sensitive resources, key relationships, and internal authority. From an HR viewpoint, the key point is simple: the firm tends to select people who are already embedded in the founder's trust network.

This selection logic matters because it shapes development. Chen et al. (2021) link successor choice to pre-succession internal managerial experience. Family or guanxi-connected successors are more likely to obtain access to founder-specific assets through internal roles (M. Chen et al., 2021). In HR language, the chosen person gets earlier exposure to key assignments, mentoring time, and internal networks. Therefore, selection and development are not two separate steps. They reinforce each other: being selected increases access, and access strengthens the candidate's perceived readiness.

Lu et al. (2020) add a SEW-based explanation for why family successors are often preferred. They argue that CEO traditionality increases the likelihood of choosing a family successor, and that this effect is tied to SEW concerns such as family identity and a "dynasty" orientation (Lu et al., 2021). Translated into HR terms, when family continuity is central, the firm prioritizes candidates who can carry the family meaning of the business and gain family acceptance more easily. This is one reason why external

professional managers may be seen as less "safe," even if they appear stronger on formal qualifications.

At the same time, the Chinese evidence suggests that "insider" does not always mean "family only." The inclusion of guanxi-connected nonfamily candidates in Chen et al. (2021) implies a common pattern: long-serving executives may become "quasi-family." They can be treated as insiders because of loyalty, long tenure, and relationship embeddedness (M. Chen et al., 2021). This expands the successor pool slightly, but it still keeps the pipeline relational. For nonfamily employees who are not in the inner circle, the signal can remain clear: leadership opportunities depend on relationships, not only performance. That perception later interacts with fairness judgments in other HR areas, such as evaluation, pay, and promotion.

3.4.2 Successor development as HR practice: competence and acceptance

Successor development is often described as leadership development. In Chinese family firms, it also has a second task: acceptance building. The firm does not only teach skills. It also uses HR mechanisms to make the successor's authority socially acceptable. This is crucial in China because authority is closely linked to hierarchy, face, and relational order. As a result, development is not just about "can the successor lead," but also "will others accept the successor's leadership."

Three HR mechanisms appear repeatedly in the Chinese succession literature. The first is planned internal experience. The second is co-governance as staged mentoring and delegation. The third is gendered development and role negotiation for female successors.

Planned internal experience is one of the most practical tools. Chen et al. (2021) highlight pre-succession internal managerial experience as a key channel through which family or guanxi-connected successors gain access to founder-specific assets. In practice, this means the successor is intentionally placed in roles where learning happens through real tasks, not classroom training. The successor works close to the founder, participates in daily decision routines, and gradually gains exposure to sensitive issues such as staffing decisions, conflict handling, and key external relationships (Zhu & Kang, 2022). This matters in China because much knowledge is embedded in informal routines and relationships. Internal experience therefore becomes a direct way to transfer both competence and trust.

Importantly, internal experience also functions as evaluation. Giving a candidate access to key roles is a way to test whether they can protect family interests and manage authority responsibly. In this sense, successor development is simultaneously a learning path and a screening device. This fits the Chapter 2 argument: in relational systems, trust-based access is not only a reward but also a control mechanism.

The second mechanism is co-governance. Zhu and Kang (2022) describe succession as a gradual process in which founder and successor share leadership for a period, and authority shifts step by step rather than suddenly (Z. Zhu & Kang, 2022). Even though their study focuses on innovation outcomes, the HR meaning is straightforward. Co-governance creates a structured setting for mentoring and staged delegation. The founder remains present as a sponsor, while the successor's decision rights expand over time.

From an HR design perspective, co-governance works best when delegation boundaries become visible. Early in the process, the successor may lead projects while major decisions still require founder approval. Later, the successor gains authority over people and resource decisions, such as hiring approvals, performance evaluations, and allocation choices. This visibility matters because acceptance in organizations is built through observable authority. Employees watch whether the successor can truly decide, not only whether the successor has a title. When boundaries are unclear, authority transfer can look symbolic. In family firms, symbolic authority can easily be interpreted as favoritism, especially by outsiders. Therefore, co-governance is not only a development tool. It is also an acceptance strategy that reduces resistance and gives the organization time to adjust.

The third mechanism concerns gender. Xian et al. (2021) show that daughters in Chinese family firms often face role tension between being a filial daughter and being recognized as a legitimate leader (Xian et al., 2021). This becomes an HR issue because it affects development opportunities in concrete ways. It influences which assignments daughters receive, how visible they are allowed to be, and what behaviors are rewarded or criticized. If daughters are steered toward backstage coordination roles to protect harmony and face, they may gain fewer chances to build public leadership trust. Yet public trust often comes from exactly those visible experiences: external representation, crisis handling, tough negotiation, and direct authority over senior staff.

This also shapes evaluation standards. If the implicit definition of "leadership readiness" is tied to visible authority and assertive public presence, daughters may be judged differently for similar behavior, or they may avoid visibility to reduce conflict. The result is that formal titles may look equal, while development paths remain unequal. In turn, the family may later interpret this unequal exposure as "lack of readiness," even though it reflects a narrower development design. This is a clear example of how culture and SEW priorities shape HR processes in practice.

3.4.3 Successor development as a people system

To keep the section clearly within HRM, successor development can be summarized as a people system with several interconnected elements. It includes a leadership pathway built through planned internal roles and a learning sequence; mentoring and sponsorship from the founder that signals acceptance; staged delegation that expands decision rights over time; and evaluation standards that combine family approval and performance milestones. Together, these elements shape not only the successor's competence, but also whether employees perceive the process as credible.

This framing also reinforces the core of Chapter 3 that successor development in Chinese family firms is often hybrid. Relational elements remain central, because trust, sponsorship, and insider access are key to transferring authority. However, as firms grow and as nonfamily professionals become more important, development often needs more structure. Co-governance illustrates this hybrid design clearly, because it combines relational acceptance (founder support) with a staged, observable transfer of authority (Z. Zhu & Kang, 2022). The broader implication for the thesis is that succession planning shapes how employees interpret the entire HR system. If the development path is closed and informal, outsiders may expect limited upward mobility and may become cautious about voice and long-term commitment. If the firm combines insider sponsorship with clearer milestones and more consistent evaluation standards, it becomes easier to build trust and to professionalize other HR processes later, including performance evaluation and rewards.

3.5 Compensation, rewards, and employee relations

Based on the previous arguments, this section turns the guanxi–fairness dilemma into a concrete HR issue. The question is straightforward: in Chinese family firms, who receives

higher pay, stronger rewards, and faster promotion, and on what basis? This matters because compensation is not only an incentive tool. It also works as a signal. It tells employees who is recognized, who is trusted, and whether the organization operates as an insider-centred workplace or a more open system. When rules are unclear, employees do not evaluate fairness by reading formal policies. Instead, they infer fairness from outcomes and from how decisions are explained. In this sense, relational coordination can be efficient for insiders, yet it can raise fairness concerns for outsiders. These concerns then affect attraction, commitment, and retention. Therefore, this section examines pay transparency, insider–outsider differences, and employee relations together, rather than treating compensation as a standalone number.

3.5.1 Compensation and promotion standard

In a formal HRM system, compensation is usually tied to explicit standards. Typical examples include job grades, pay ranges, bonus formulas, and performance appraisal criteria. By contrast, in relational HRM, pay decisions depend more on discretion. They can reflect loyalty, trust, and the owner's personal judgement. Chinese family firms often sit between these two poles. A common pattern is hybrid: the firm has written standards, yet key decisions still rely on relationship-based judgement. This is especially true for sensitive roles or high-stakes promotions.

A useful way to describe this hybrid reality is to separate two decision layers. First, there is a more visible layer, such as base salary ranges, basic welfare, and standard allowances. Second, there is a less visible layer, where exceptions are made. This includes informal bonuses, special benefits, or promotion timing. The second layer is often where fairness disputes begin. Employees usually judge fairness through two practical cues: whether similar people are treated similarly, and whether the firm can explain the decision in a stable way. When explanations are weak, employees tend to interpret outcomes through an insider–outsider frame.

Moreover, the literature suggests that pay decisions are not shaped only by market forces or performance signals. They are also shaped by internal authority structures. Guo and Deng (2024), studying Chinese listed family firms, show that the formal business hierarchy may not fully match the informal family hierarchy among top leaders (Guo & Deng, 2024). This matters for HR because compensation can become part of how the firm manages internal tensions. When authority is ambiguous, jobs can become more complex

and politically demanding. Pay may then be adjusted to reflect these hidden costs. Therefore, "transparency" cannot be assessed only by asking whether a policy exists. It also requires attention to who has the final say, whether authority is stable, and whether exceptions follow a consistent logic.

3.5.2 Family versus nonfamily: how insider–outsider differences appear in rewards

The insider–outsider boundary becomes particularly visible in compensation. It shows up in pay growth, promotion speed, and access to high-reward opportunities. A classic concern is that family owners may show asymmetric altruism toward family executives. This can lead to over-rewarding insiders and under-rewarding outsiders, which damages perceived fairness and may trigger withdrawal (Guo & Deng, 2024). In practical terms, outsiders may come to believe that performance matters, but relationships matter more.

However, the Chinese evidence also suggests the pattern is not always one-directional. Guo and Deng (2024) argue that when there is inconsistency within the family leadership hierarchy, it can generate contestation and spillover into the organization. Under these conditions, nonfamily executives may face role conflict and unclear instructions. Their job becomes harder. As a result, the firm may need to pay outsiders more to retain them (Guo & Deng, 2024). It shows that "family influence" does not automatically produce the same HR outcome in every case. Instead, outcomes depend on how relational power and formal structure interact. That is why the system often looks hybrid rather than purely relational or purely formal.

Still, higher pay does not automatically solve the fairness problem. Employees also care about the reason behind the pay difference. They ask whether higher pay comes with real authority, and whether evaluation standards are stable. Guo and Deng (2024) further identify conditions that can weaken the need for outsider pay premiums, such as factors that reduce conflict spillover and increase authority clarity (Guo & Deng, 2024). The translation is simple: when internal authority is clearer and conflict is buffered, the firm faces lower "hidden job costs." In turn, retention pressure and fairness tensions become easier to manage.

3.5.3 Why compensation fairness shapes retention and psychological safety

Compensation is a strong fairness trigger because employees compare it repeatedly and socially. It is also closely tied to identity and status. When pay and promotion look relationship-driven, outsiders often face uncertainty. They cannot easily predict whether performance will be rewarded in a reliable way. Over time, this uncertainty weakens commitment and increases exit intentions. Guo and Deng (2024) connect compensation patterns to the broader difficulty family firms face in attracting and retaining professional talent. Their argument implies a trade-off: firms either pay a premium in demanding contexts or reduce job complexity by improving internal arrangements (Guo & Deng, 2024). Even though their evidence focuses on executives, the logic extends to wider employee groups because the mechanism is still perceived fairness and predictability.

This is also where the link back to Chapter 2 should be stated clearly. In relational systems, fairness is often judged in relational terms: loyalty and moral conduct are rewarded. By contrast, formal systems emphasize procedural fairness: rules apply consistently across people. Hybrid systems try to combine both. Yet they become fragile when employees cannot distinguish between legitimate recognition and favoritism. Therefore, if entry and advancement remain partly relationship-shaped, compensation standards need clearer guardrails. Otherwise, the firm may attempt to "buy retention" through higher pay, but pay alone cannot replace fairness perceptions or stable authority.

3.5.4 Employee relations, voice, and well-being: linking to ESG-oriented HRM

At the organizational level, this section treats employee relations as part of internal social responsibility rather than only an HR support function. To connect this chapter with the further ESG-oriented discussion, employee relations should be treated as internal social responsibility. It includes welfare, dignity, safety, and the trust of complaint and voice mechanisms. Here, the CSR (Corporate Social Responsibility) literature helps make the argument China-specific. Ma (2023) reports that Chinese family firms may be more likely to establish CSR systems and disclose social and environmental information, and interprets this pattern through acceptance and SEW-related motives (Ma, 2023). From an HR perspective, the key implication is modest but important: CSR routines can push firms

to define and track employee-related practices more clearly, because reporting requires categories, indicators, and internal coordination.

At the cultural and institutional level, clan-based norms can shape how firms prioritize internal CSR, but these effects weaken as labor markets become more mobile.Xu and Guo (2024) found that stronger clan culture is associated with higher CSR, and that internal CSR can be prioritized in strong clan contexts (S. Xu & Guo, 2024). This supports the idea that clan norms may strengthen internal welfare expectations, especially for insiders. However, they also show that institutional development and population mobility can weaken these effects. In other words, cultural governance does not work in isolation. Therefore, in more mobile labor markets, firms often need more transparent and formal mechanisms to make employee relations credible for outsiders.

From the employee perspective**,** voice is a practical behavior shaped by whether the system feels safe and credible. So voice should be treated as a practical behavior, not an abstract value. Morrison (2022) defines employee voice as informal communication aimed at improvement, and silence as withholding concerns (Morrison, 2022). This matters here because compensation is often the moment when employees test whether the system can be questioned safely. If pay and promotion feel relationship-driven, speaking up becomes risky. Employees may fear damaging guanxi or losing face, as a result, silence becomes more likely. Therefore, if a family firm claims an ESG-oriented HRM direction, it needs alignment between external commitments and internal experience. If the two diverge, compensation and promotion become the place where employees discover the firm's "real" system. That discovery then shapes voice, psychological safety, commitment, and retention.

3.6 Conclusion

This thesis studies HRM in Chinese family firms through one main problem: guanxi and family control can make people management efficient, but they can also create fairness concerns for outsiders. Chapter 2 explained why this happens, using culture, SEW, and governance ideas. Chapter 3 shows how this problem appears in real HR work. The key conclusion is that Chinese family firms do not use one single HR style for everything. Instead, they build a hybrid HRM "configuration". The mix of relationship-based decisions and rule-based decisions is different across recruitment, successor development,

and pay/employee relations. This is not random. Each HR part faces a different type of risk, so the "mix" changes.

In recruitment, relationship-based hiring is often used because the first need is trust. Referrals and guanxi links help owners reduce uncertainty. In many cases, this is practical in China, especially when jobs involve sensitive resources or when the owner worries about opportunistic behavior. However, Chapter 3 also shows the cost: if the entry gate looks like an inner circle, outsiders may not apply, and those who join may feel the process is unfair. This is why a hybrid approach is common. Relationships can be used to find candidates, but the final decision needs simple and clear rules (for example, basic job requirements, the same interview questions, and a small record of reasons). In short, guanxi can help open the door, but rules are needed to keep the gate fair and credible.

In training and development, especially succession, relationship logic is even stronger, because the key issue is not only skills. It is also acceptance. A successor must be trusted by the family and recognized by the organization. In China, this process is shaped by hierarchy, face, and family expectations, so the firm often prefers a family member or a trusted insider. Development then relies on close mentoring, early access to key tasks, and step-by-step authority transfer. Yet the chapter also shows a clear limit: when the firm needs more nonfamily professionals, a "closed" successor path sends a strong message to outsiders: "top leadership is not open to you." This can weaken long-term commitment. Therefore, successor development often becomes hybrid too. The firm may keep family support and mentoring, but it also needs clear stages and visible milestones, so employees can see that authority is earned and transferred in an orderly way.

In compensation, rewards, and employee relations, fairness becomes the most sensitive issue. Pay and promotion are repeated signals that employees compare. Chapter 3 shows that many firms have a public layer of pay policies, but also a private layer of exceptions that depends on relationships and discretion. This private layer is where fairness problems grow. When outsiders cannot predict how pay and promotion decisions are made, they become cautious. They speak up less, trust the system less, and may leave. For this reason, this HR part needs the strongest "rule" element in the hybrid puzzle. Clear pay ranges, promotion standards, and safe complaint channels do not remove relational care. They reduce the space where discretion looks like favoritism, and they help protect retention and voice.

Putting these parts together supports the main argument of the thesis. Hybrid HRM in Chinese family firms is not a vague mix. It is a practical pattern: different HR parts use different levels of relationships and rules. Recruitment often uses relationships for trust, but needs simple rules to protect fairness and attract talent. Succession uses relationships to build trust and acceptance, but needs clear stages so others can accept the new leader. Pay and employee relations need clearer rules because they are where fairness is tested most directly. This is the "hybrid HRM puzzle" of Chinese family firms: the same firm can look very relational in one area and more formal in another, because it is solving different problems under the same family-controlled system.

Therefore, the next question is: when is this hybrid puzzle stable, and when does it create a crisis? Chapter 4 will answer this by using an ESG-focused view in which makes the test clearer, because it asks whether the HR system supports long-term employee well-being, fair treatment, and safe voice. It also helps explain when hybrid HRM supports sustainability, and when it harms fairness and weakens the firm's ability to attract and keep employees.

4. CHAPTER

ESG PRESSURES

4.1 Introduction

This chapter does not treat ESG as a separate topic running in parallel to HRM. Instead, ESG is used as a pressure mechanism that reshapes how hybrid HRM operates in Chinese family firms. The core argument from Chapters 1–3 is that HRM in Chinese family firms is often hybrid: relational discretion and formal rules coexist, and the balance shifts across processes. ESG matters here because it increases demands for visible evidence in people management—policies, records, indicators, and consistent minimum standards—while daily implementation may still rely on relational authority and insider–outsider boundaries.

In this sense, ESG extends (rather than competes with) the relational–formal–hybrid framework. It makes the "relationship–rule mix" more observable and, in some areas, more contested. The chapter therefore follows a clear stress-test logic. Each section asks whether ESG pressure strengthens a credible formal floor (minimum protections and routines applied consistently), or whether it exposes a policy–practice gap (formal policies exist, but enforcement remains selective and relationship-driven). The focus stays on employee-facing HR consequences: protection, fairness, inclusion, voice, and the effectiveness of HR practices such as training.

4.2 ESG and employee protection

This section tests hybrid HRM by examining whether ESG pressure creates a credible formal floor for employee protection, or whether it exposes a policy–practice gap where protection remains uneven across insiders and outsiders. At the governance and accountability level, ESG raises expectations for visible standards and evidence.

At the HR system level, this pressure translates into protection routines, complaint handling, and follow-up procedures that can be monitored.

Employee protection is the most direct point where ESG enters employees' daily experience. Under ESG pressure, protection becomes less about intentions and more about evidence and consistency: training coverage, incident handling, complaint records, and reliable follow-up. From the employee perspective, the central issue is not whether the owning family "cares," but whether protection is delivered through routines that employees experience as predictable and fair across relationship distance.

4.2.1 What becomes visible and measurable under ESG

In relationship-based systems, protection can be expressed through informal support (flexible arrangements, private help, and personal intervention by leaders). This can be genuine and fast, but it is difficult to verify and may be uneven. ESG increases visibility demands and pushes firms to demonstrate protection through planned routines and documented practices.

A useful illustration is provided by Shahid et al. (2025), who show that "employee protection" is often operationalized through reportable indicators such as health and safety initiatives, training coverage, incident handling, and disclosures related to discrimination or harassment cases. The mechanism is transferable: once protection is translated into indicators and records, HR can no longer rely only on implicit promises. External and internal audiences begin to ask questions that require documentation: Who received safety training? What happens after a complaint? How are cases recorded and followed up? ESG therefore increases pressure toward formal routines in protection-related areas.

At the same time, ESG can also create a surface-compliance risk. Firms may invest in what is easiest to show—policies and training sessions—while leaving harder issues such as credible complaint handling, fair conflict resolution, and protection from retaliation under informal control. This is where the hybrid HRM lens remains central: ESG can strengthen formalization on paper, while relational discretion still shapes how protection is distributed in practice.

4.2.2 Protection as HR system design, not a single program

To keep the analysis HR-focused, employee protection is treated as a system of HR mechanisms embedded across functions. Sustainable HRM research supports this view by framing social sustainability as something implemented through core HR activities rather than a single "well-being program" (Piwowar-Sulej, 2021). In practice, protection is built through bundles of decisions across HR functions. Four mechanisms are especially relevant:

1. **Training and development:** safety training, rights awareness, and respectful-behavior training.
2. **Performance management:** whether safe and respectful conduct is part of expectations and supervision.
3. **Compensation and work design:** whether incentives and workloads discourage unsafe shortcuts and reduce harmful pressure.
4. **HR flow and discipline:** whether violations have consequences and whether promotion reinforces protective leadership.

Under ESG pressure, these mechanisms are more likely to become formalized because they can be documented and tracked. However, their protective value still depends on implementation consistency, especially across insiders and outsiders.

4.2.3 Why formal clarity can protect well-being in China, and where hybrid failure appears

China-based evidence suggests that formal elements can be protective when they reduce uncertainty. Xu et al. (2024) find that employees who perceive hybrid HRM in mainland China report higher well-being, partly because structured management and clearer expectations can reduce role ambiguity (L. Xu et al., 2024). For employee protection, the implication is concrete: ESG-driven routines—clear safety rules, documented procedures, and predictable complaint handling—can reduce fear and uncertainty about what happens when risks occur.

However, hybrid systems can fail when formal rules are applied selectively. A credible protection process typically means that cases are recorded, checked, investigated, decided, and followed up within clear steps and time frames. If employees believe that rules exist mainly for outsiders while insiders receive informal exceptions, formalization loses its

protective value and may increase perceived unfairness. This connects directly to the insider–outsider tensions discussed earlier in the thesis.

In Chinese family firms, ESG engagement may also align with SEW-related motives such as reputation and long-term survival (C. Zhu et al., 2025). This can support investment in protection. At the same time, when reputation protection becomes the dominant motive, there is an incentive to prioritize visible actions over deeper change. This makes selective protection a realistic risk: training and policies may be presented as evidence, while impartial enforcement and credible retaliation protection remain weak. The key mechanism-based conclusion is therefore cautious and consistent with the thesis: ESG pressure can raise the formal floor of protection, but employees will judge protection by whether routines are applied consistently beyond relational closeness.

4.2.4 Practice bundles: keeping protection concrete

To keep the section directly usable, employee protection can be summarized through four practice bundles that are visible under ESG reporting expectations (Shahid et al., 2025) and meaningful as HR design (Piwowar-Sulej, 2021).

1. **Health and safety.** Regular safety training, coverage tracking, incident recording, and defined responsibility for follow-up. Credibility depends on whether incident follow-up and accountability are consistent rather than informal.
2. **Mental health and stress protection through work design and clarity.** Workload monitoring, predictable scheduling where possible, manager training to recognize burnout risks, and role clarity. The employee-facing test is whether routines actually reduce harmful pressure or remain statements without behavioral change (L. Xu et al., 2024).
3. **Protection from harassment and discrimination.** Clear reporting channels, investigation steps and time frames, protection from retaliation, and consistent consequences. The key issue is not moral statements but whether the system is trusted and applied equally to insiders and outsiders (Shahid et al., 2025).
4. **Leave, care benefits, and equal access to welfare.** Benefits can become measurable through participation data and disclosures, but fairness depends on whether access requires informal approval. If access depends on closeness, outsiders may perceive higher risk and lower trust.

Section 4.2 shows how ESG can strengthen a basic formal floor in protection, while leaving room for policy–practice gaps under selective enforcement. The next section turns to inclusion and voice, where the insider–outsider boundary becomes even more sensitive because it affects access to opportunity and the safety of speaking up.

4.3 Inclusion under family control

This section tests hybrid HRM by explaining whether ESG pressure reduces insider–outsider barriers in access and voice (a stronger formal floor), or whether inclusion remains largely relational, creating a policy–practice gap between stated inclusion and experienced inclusion.

Inclusion under ESG is less about slogans and more about whether access and voice become less dependent on relationship distance. In Chinese family firms, the key question is whether outsiders can enter important pathways (hiring tracks, development opportunities, key projects) and raise concerns without needing inner-circle protection. Inclusion becomes credible only when opportunity and voice are experienced as fair and predictable for people who are not part of the family or the trusted circle.

4.3.1 Inclusion as boundary-making in high-trust roles

A useful way to keep inclusion embedded in the thesis framework is to analyze it as boundary-making: who becomes an insider in practice, and who remains an outsider even with strong performance. Succession research can serve as an "extreme case" because it shows what happens when trust and control stakes are highest. Chen et al. (2021) find that Confucianism is associated with a higher likelihood of choosing either a family successor or a guanxi-connected nonfamily successor, rather than a non-connected outsider (M. Chen et al., 2021). Although this evidence is about succession, it illustrates a broader HR mechanism: when closeness and fit define legitimacy in high-trust roles, outsiders may face invisible ceilings even if they perform well.

This boundary logic can shape more than CEO choice. It can also influence who receives strategic exposure, sponsorship, and fast-track development. Chen et al. (2021) note that internal managerial experience can help successors access founder-specific assets and tacit knowledge, which outsiders may find harder to obtain (M. Chen et al., 2021). In HR terms, the distribution of "internal experience" opportunities—rotations, key projects, client exposure, mentoring—becomes part of experienced inclusion.

Leader values and SEW concerns can reinforce these patterns. Lu et al. (2021) link CEO traditionality to a stronger preference for selecting a family successor, shaped by SEW motives (Lu et al., 2021). Translated into inclusion, this implies that cultural beliefs at the top can work as a gatekeeping force: outsiders may be welcomed for competence, but still excluded from positions where control, reputation, and legacy are seen as central.

4.3.2 Employee-facing inclusion: access and voice, not only policies

Under ESG pressure, firms may adopt inclusion statements, training, and formal procedures that are visible. Yet the employee-facing test is whether these tools change daily allocation decisions. To keep the discussion HR-focused, inclusion is assessed through concrete outcomes linked to normal HR functions:

1. **Entry access:** who can enter which tracks and roles, and whether hiring is open or relationally gated.
2. **Development access:** who receives high-impact assignments, mentoring, and strategic exposure.
3. **Promotion transparency:** whether performance reliably converts into mobility and recognition.
4. **Voice safety:** whether people can raise issues without fear of retaliation or relational punishment.

ESG can support inclusion when it strengthens formal routines that reduce hidden barriers (for example, clearer criteria and more transparent development pathways). But ESG can also create a policy–practice gap if visible actions (statements and training) grow faster than changes in opportunity distribution and voice safety. In family-controlled settings, where relational authority remains strong, inclusion will be experienced as credible only when formal routines are enforced consistently and when outsiders can speak up without depending on inner-circle protection.

Based on these arguments section 4.3 highlights that ESG can make inclusion claims more visible, but experienced inclusion depends on access and voice that are applied consistently across relationship distance. The next section shifts to environmental training, where ESG pressure is often translated into countable activities, creating a clear risk of symbolic compliance unless HR routines support real behavior change.

4.4 Environmental training and green HRM

This section tests hybrid HRM by examining whether ESG pressure turns environmental training into embedded routines that employees experience as meaningful (a stronger formal floor), or whether training remains symbolic, widening a policy–practice gap between reported action and daily behavior.

Environmental training often becomes an early ESG action because it is relatively easy to standardize and count. Yet training is only one part of green HRM. The central HR question is simple: does training build real ability, motivation, and opportunity for employees to change behavior, or does it remain a reportable signal without reinforcement?

4.4.1 Training as visible action, and the risk of "countable compliance"

In many firms, ESG visibility pressure increases interest in activities that can be documented and reported. Training fits this logic because participation can be recorded and coverage can be presented as evidence. Research discussing ESG engagement in China also highlights that visibility and disclosure dynamics can shape firm behavior, increasing the appeal of actions that are easy to present externally (Sun et al., 2023; C. Zhu et al., 2025). The HR risk is that "countable training" can grow faster than implementation routines, especially when external credibility is a strong motive.

From an employee perspective, symbolic training can have costs. If training is not linked to daily work and is not reinforced, employees may treat it as a formality. This can reduce genuine participation and weaken trust in ESG claims.

4.4.2 Environmental training inside a green HRM bundle

To avoid a narrow "program story," environmental training is positioned inside a green HRM bundle. The green HRM literature emphasizes that training alone is rarely sufficient. Training can build employee ability, but behavior change also depends on motivation and opportunity. In practice, training is more likely to be effective when linked to performance expectations, rewards, and employee involvement mechanisms (Jabbour, 2013; Miah et al., 2024). This bundle logic fits the thesis framework: it shows how ESG becomes embedded only when it enters the HR system, rather than remaining a one-off initiative.

4.4.3 Hybrid enforcement and insider–outsider issues in daily routines

In Chinese family firms, a second risk is especially relevant: even when formal environmental rules exist, daily enforcement may remain relational and uneven. For example, insiders may receive more tolerance for shortcuts, while outsiders are expected to comply strictly. This reproduces the insider–outsider tension discussed in Chapter 3, but now in environmental routines and compliance.

Hybrid HRM research in China also suggests that employee well-being and acceptance of systems are supported when clarity is combined with supportive management (L. Xu et al., 2024). Applied here, the implication is that green routines are more likely to be credible when employees experience both clear expectations and real opportunities to contribute (for example, participation, feedback, and problem solving), rather than training being used as a top-down campaign without follow-through.

Overall, it shows that ESG pressure can increase formal training and routines, but effectiveness depends on whether training is embedded in the HR cycle and enforced consistently. The final section integrates the chapter's mechanisms into a single HR-cycle view, keeping ESG as an extension of hybrid HRM rather than a parallel theme.

4.5 Integrating ESG into the HR cycle

This section treats ESG integration as an HR cycle rather than a one-off policy statement. A key implication in the sustainable HRM literature is that sustainability goals need to move beyond declarations and be embedded into day-to-day HR routines. Wu et al. (2025) describe sustainable HRM as "deeply embedding sustainable development strategic objectives into the entire HR process," which fits the logic of the four-step loop developed here: ESG expectations must first be formally defined, then embedded into HR touchpoints, implemented through real organizational relations, and finally corrected through feedback mechanisms (Wu et al., 2025).

This section also tests hybrid HRM by examining whether ESG pressure becomes embedded across the HR cycle as a coherent system (a stronger formal floor), or whether ESG remains an add-on that is easy to decouple from everyday HR decisions (a policy–practice gap).

The purpose of this final section is integration. Sections 4.2–4.4 showed how ESG pressure affects protection, inclusion/voice, and green routines. Here the question becomes a system design issue: how can ESG-related expectations be integrated into HR

strategy without turning ESG into a separate framework that competes with the thesis argument?

4.5.1 From separate actions to a system

A common response to ESG pressure is to start with separate, visible actions—training sessions, new policies, and statements. Integration means moving from isolated actions to an HR system where ESG-related goals are embedded across recruitment, training, performance management, rewards, and employee relations. This aligns with the sustainable HRM view that sustainability becomes real when implemented through core HR functions rather than treated as a side program (Piwowar-Sulej, 2021).A concise integration logic consistent with the hybrid HRM framework is:

1. **Formal definition (formal floor):** At the governance and policy level, ESG-related people priorities are translated into minimum standards and accountability expectations. Translate ESG-related people priorities into minimum standards, procedures, and indicators (e.g., protection routines, voice channels, training coverage, case handling steps).
2. **HR embedding (HR cycle):** At the HR system level, these priorities are built into HR processes and decision points. Building these expectations into HR processes (selection, onboarding, training plans, appraisal items, reward signals, and employee relations processes).
3. **Relational implementation (daily work):** At the implementation level, line managers and relational authority shape how these rules work in practice. Line managers and relational authority deliver routines; relational care can support acceptance, but must not override fairness and consistency.
4. **Feedback and correction:** From the employees perspective, voice, complaints, and records become signals for correction and system adjustment. Records and voice become inputs for improvement; if voice is unsafe or data is cosmetic, the system drifts toward symbolic compliance.

This logic keeps ESG inside HRM system design rather than treating it as a parallel “ESG chapter.”

4.5.2 What is specific about Chinese family firms

Two points keep the integration argument grounded in the Chinese family-firm setting. First, ESG engagement can align with family motives linked to reputation, identity, and long-term survival (C. Zhu et al., 2025). This means ESG is not automatically symbolic. Second, family control shapes how hybridity functions in daily work. Strong relational authority can speed up implementation when leaders genuinely support protective and inclusive routines. At the same time, the same authority can preserve informal exceptions for insiders. This is why ESG can make hybrid HRM more contested: it increases demand for consistency and evidence, while firms may still rely on relational discretion in allocation and enforcement.

4.6 Conclusion

This chapter reframed ESG as a pressure mechanism that extends and tests the hybrid HRM framework developed in Chapters 1–3. The central finding is not that ESG creates a new HR model, but that it increases demands for visible evidence and consistent minimum standards, which can strengthen the formal layer of HRM while leaving relational discretion influential in daily implementation.

Section 4.2 showed that employee protection becomes measurable under ESG and therefore pushes firms toward a stronger formal floor: training coverage, incident handling procedures, complaint routines, and basic welfare access (Shahid et al., 2025). At the same time, protection quality depends on implementation consistency. Hybrid systems can protect well-being when formal clarity reduces uncertainty (L. Xu et al., 2024), but they can fail when formal rules are applied selectively across insiders and outsiders, creating a policy–practice gap.

Section 4.3 argued that inclusion under family control is a more sensitive stress test because it directly touches access to opportunity and the safety of speaking up. Evidence from succession research illustrates how inner-circle logic can operate as gatekeeping in high-trust roles (M. Chen et al., 2021) and how leader values and SEW motives can reinforce continuity preferences (Lu et al., 2021). For HRM, the key implication is that experienced inclusion depends on access to development, promotion transparency, and voice safety, not only on stated policies.

Section 4.4 used environmental training to show a second type of ESG tension: training is attractive as visible action, but it risks becoming symbolic unless embedded in a green

HRM bundle that links training to performance expectations, rewards, and employee involvement (Jabbour, 2013; Miah et al., 2024). This again highlights the hybrid HRM mechanism: ESG can increase formal routines and documentation, but employee-facing outcomes depend on whether enforcement is consistent and whether employees have real opportunities to act on what they learn.

Finally, Section 4.5 integrated these insights into a single HR-cycle view. It showed how ESG can be embedded as an extension of hybrid HRM: building a credible formal floor, embedding it across HR processes, and using relational authority to support (not override) fair and consistent delivery. Overall, ESG makes the hybrid arrangement more visible and more contested because it raises the cost of inconsistency. This conclusion sets up the next chapter by clarifying what the discussion must explain: when ESG pressure helps hybrid HRM develop credible employee-facing safeguards, and when it widens policy–practice gaps that weaken fairness, voice, and trust.

5. CHAPTER

METHODOLOGY, DISCUSSION AND CONCLUSION

5.1 Introduction

Chapter 5 explains how the thesis was developed and why the conclusions are credible given the scope and limits of the available evidence. It begins by setting out the research design and review logic. Because the thesis connects multiple literature streams—Chinese family-firm governance and culture, HRM system design and professionalization, employee outcomes such as fairness and voice, and ESG-linked people management—an integrative literature review with narrative synthesis is used to build a single mechanism-based explanation rather than a simple list of practices. The chapter then describes how studies were identified, screened, and coded through a transparent search strategy, clear inclusion rules, and a consistent coding frame that links each source to the relational–formal–hybrid lens and to the HR processes examined in Chapters 3 and 4. In relation to the guiding research question, this methodological design is used to produce a credible answer to how relational and formal HRM logics coexist in Chinese family firms, how this balance shifts across HR processes, and how ESG-related pressures make these tensions more visible.

Building on this methodological foundation, the chapter turns to the discussion of key findings and directly addresses the guiding research question. It brings together the evidence to show why hybrid HRM is common in Chinese family firms, why formality and discretion are placed unevenly across HR processes, and why employee-facing outcomes—especially fairness, protection, and voice safety—become the most direct test of whether hybridity works. ESG is treated as a pressure mechanism that increases demands for visible proof, which can raise a "formal floor" in employee-facing domains

while also widening policy–practice gaps when enforcement remains selective. The chapter closes by presenting the integrative framework that emerges from the review, outlining theoretical and managerial implications that follow from the evidence, and stating the limitations and future research directions that matter most for testing the framework more directly.

5.2 Research design and literature review approach

This thesis adopts an integrative literature review with narrative synthesis. The purpose is not to produce an exhaustive map of all publications, nor to calculate a single effect size. Instead, the review integrates research on Chinese family firms, HRM system design, and ESG-related people management to build a coherent explanation of how relational, formal, and hybrid HRM coexist and shift across HR processes, and how ESG pressure makes this hybrid arrangement more visible and more contested.

An integrative review is suitable for three main reasons. First, the research question spans multiple streams that rely on different methods and units of analysis. These streams include family business governance and culture, HRM systems and professionalization, employee outcomes such as fairness perceptions and voice, and sustainability/ESG and green HRM. Because these conversations are often separated across journals and disciplines, an integrative approach is needed to connect them. Second, the thesis aims to link foundational concepts (such as SEW and governance logics, guanxi-based coordination, and employee voice/silence) with more recent discussions on ESG, inclusion, and green HRM. Using a narrow time window would weaken this connection and make it harder to explain the mechanisms behind current practices. Third, the thesis is mechanism-oriented: it asks how and why HR patterns emerge under family control in China, not only whether they exist.

The review was conducted in an iterative way in which reading and writing progressed together. This does not mean the review was impressionistic. Instead, iteration was guided by a stable analytical lens and a clear chapter structure. Chapters 1–2 established the conceptual foundations (cultural-institutional context, SEW and governance logics, and the relational–formal–hybrid HRM framework). Chapter 3 applied this lens to core HR processes (recruitment/selection; training, development and succession; compensation and employee relations/voice). Chapter 4 then used ESG pressure as a stress test of the hybrid system, focusing on employee protection, inclusion and voice, green HRM and

environmental training, and integration into the HR cycle. This structure defined what counted as relevant evidence and how it was synthesized across themes.

To strengthen credibility, the review followed an explicit procedure: (1) defining conceptual boundaries and guiding questions; (2) identifying literature through targeted searching and citation tracing; (3) applying clear inclusion and exclusion rules; and (4) extracting and synthesizing evidence with a consistent coding frame. Normative suggestions in the thesis are presented as design implications derived from reviewed evidence, not as guaranteed best practices.

5.2.1 Guiding research questions

The review is guided by four mechanism-oriented questions:

1. Why do relational HR practices persist in Chinese family firms, and what governance and cultural mechanisms sustain them?
2. When and why do Chinese family firms introduce formal HRM, and which HR processes are most likely to be formalized?
3. How are hybrid HRM arrangements assembled differently across key HR processes (recruitment/selection; training, development and succession; compensation and employee relations/voice)?
4. How does ESG pressure affect the stability of hybrid HRM, for example by creating a "formal floor" or by widening policy–practice gaps?

5.3 Data sources and search strategy

Studies were identified through a combination of targeted keyword searching and citation-based searching (snowballing). The main search tool was Google Scholar because it provides broad interdisciplinary coverage across family business research, HRM and organizational behavior, and sustainability/ESG research. Keyword searching was organized into blocks aligned with the thesis framework, and the search process was repeated and refined when reading revealed gaps that mattered for the chapter logic.

Three search blocks were used.

Block 1: Chinese family-firm context and relational governance.

This block focused on family control in China, informal institutions, and relational coordination. Search terms included combinations of: "Chinese family firm", "family business China", "Confucian*", "clan culture", "informal institutions", "guanxi",

"paternalistic leadership", and related terms linked to relational governance and insider–outsider boundaries.

Block 2: HRM systems, formalization, and hybridity.

This block focused on HRM system design and the balance between relationship-based and rule-based management. Search terms included: "HRM formalization", "informal HRM", "professionalization", "hybrid HRM", "relational HRM", "selective formalization", and HR-module terms such as "recruitment", "selection", "succession", "training and development", "compensation", "promotion", "employee relations", "performance management", and "grievance".

Block 3: employee outcomes and ESG-linked people management.

This block focused on outcomes and ESG-related HR practices, including justice and voice, employee protection, inclusion, and green HRM. Search terms included: "procedural justice", "fairness", "employee voice", "silence", "psychological safety", "well-being", "ESG", "sustainable HRM", "green HRM", "environmental training", "employee protection", "inclusion".

Because keyword searches can generate very large result sets, screening was conducted pragmatically and iteratively. Results were sorted by relevance and screened first at the title and abstract level, prioritizing academically reliable and verifiable sources. The search strategy was then strengthened through snowballing: backward searching of reference lists and forward searching of newer work citing central papers, especially key reviews and influential empirical studies. This combined approach fits an integrative review because it supports purposeful coverage of the most relevant conversations while reducing the chance of missing influential work that is not visible in initial keyword results.

Time coverage intentionally included both foundational studies (used to define constructs and mechanisms) and recent research (especially on ESG engagement, green HRM, and employee outcomes in contemporary China). This choice matches the thesis goal: to explain current hybrid HRM patterns in Chinese family firms while grounding the explanation in established theoretical foundations.

Searches were conducted iteratively from late 2025 were repeated as the chapter framework became clearer and reading revealed gaps that mattered for the thesis logic. Google Scholar was used as the primary search tool due to its broad interdisciplinary

coverage. Full texts were accessed through university library subscriptions and publisher platforms when available. No narrow publication-year window was imposed because the thesis connects foundational constructs (e.g., SEW, governance logics, and voice/silence) with more recent discussions on ESG and green HRM; in practice, earlier studies were retained when they defined core mechanisms, while recent work was prioritised for ESG engagement and green HRM in contemporary China.

The review focused primarily on English-language peer-reviewed journal articles. Selected academic books or book chapters were used only for foundational concepts and widely accepted definitions. Full texts were accessed through university library subscriptions and publisher platforms when available.

5.3.1 Examples of search strings used

To improve traceability, the following examples reflect typical queries used in Google Scholar:

1. ("Chinese family firm" OR "family business China") AND (HRM OR "human resource management") AND (guanxi OR "informal HRM" OR "relational HRM")
2. ("family firm*" AND China) AND ("hybrid HRM" OR professionalization OR "HRM formalization") AND (fairness OR "procedural justice" OR voice OR silence)
3. ("family firm*" AND China) AND (ESG OR "sustainable HRM" OR "green HRM" OR "environmental training") AND (employee OR inclusion OR protection)

Search execution and reproducibility note: Searches were executed in Google Scholar in several rounds between 11/2025 and 02/2026 (final check in 02/2026). Results were sorted by relevance. For each query, the first 8–12 pages of results were screened at title/abstract level, because Google Scholar can produce very large and unstable result sets. When a query produced highly relevant hits, additional screening was extended until no new themes relevant to the Chapter 3–4 module structure emerged. To improve traceability after drafting, all included core studies were retrospectively labelled by **(a)** search block, **(b)** discovery route (keyword vs backward/forward snowballing), and **(c)** which guiding question and HR domain they support.

5.3.2 Scope and boundary conditions

The review focuses on Chinese family firms and closely comparable Chinese organisational settings where family control, relational governance, and informal

institutions shape HR decisions. The HR scope is limited to domains discussed in Chapters3–4: recruitment/selection; training, development and succession; compensation and employee relations/voice; and ESG-linked people management (employee protection, inclusion and voice, and green HRM). The review does not aim to provide a complete overview of all sustainability practices in family firms, nor to evaluate firm-level ESG performance outcomes. Instead, it focuses on HR-relevant mechanisms that explain how relational, formal, and hybrid HRM patterns emerge and shift under ESG-related demands for credibility and evidence.

5.4 Study selection and synthesis procedure

Study selection followed explicit inclusion and exclusion rules. Studies were included if they met four conditions.

First, they were academically reliable and verifiable sources, mainly peer-reviewed journal articles and selected academic books or book chapters used for foundational concepts. Second, they were relevant to the thesis context: Chinese family firms, or closely comparable Chinese organizational settings where family control, relational governance, or informal institutions are central to HR decisions. Third, they contributed directly to at least one part of the thesis framework: cultural-institutional explanations (e.g., Confucian norms, guanxi and clan culture), governance and SEW mechanisms, HRM system design (relational/formal/hybrid), or ESG-linked HR practices. Fourth, they provided usable content for synthesis: clear conceptual arguments, mechanisms, or empirical findings that can be connected to at least one HR module or ESG pressure area discussed in Chapters 3–4.

Studies were excluded when HRM was only mentioned superficially, when the China/family-firm link was too weak for interpretation, or when the source did not provide clear support for its claims. To reduce the risk that the review reflects only what appears in initial keyword searches, citation-based snowballing was applied around the most central papers within each theme.

Priority was given to: (1) peer-reviewed empirical studies and high-quality reviews; (2) China-specific family-firm settings; (3) studies with clear HR mechanisms and employee outcomes; (4) studies that allow mapping onto the relational–formal–hybrid lens; (5) more recent ESG/green HRM evidence where available; (6) foundational theory only when needed for definitions. At the title/abstract stage, records were retained only if they

clearly matched the China/Chinese + family control (or comparable family-firm setting) focus and addressed HRM/employee outcomes/ESG-related HRM topics relevant to Chapters 3–4. At the full-text stage, a study was included only if it could be coded to at least two of the following: HR domain, HRM logic, and a mechanism link. Foundational works were used for definitions and theory only, and were not counted as core synthesis evidence (see Appendix A).

5.4.1 Evidence extraction and coding

Each included study was recorded and coded using a consistent extraction template. The template captured:

1. Bibliographic information (author/year)
2. Context and setting (industry, region, firm type, sample)
3. Research approach (conceptual vs empirical; method where relevant)
4. Focal constructs (e.g., SEW, governance logics, guanxi, insider–outsider boundary, employee voice/silence, green HRM)
5. HR domain addressed (recruitment/selection; training, development and succession; compensation and employee relations/voice; ESG-related HR practices)
6. How the study speaks to the relational–formal–hybrid lens, including which coordination logic it implies (trust-based discretion, rule-based standardization, selective formalization, or mixed configurations) and whether it highlights fairness risks or boundary effects.

To keep the synthesis mechanism-focused, each study was also coded for the main mechanism chain it supports (for example: relational screening → perceived fairness → trust/psychological safety → voice/silence; or ESG visibility demands → formal routines → implementation through relational authority → policy–practice gaps). This helped separate descriptive claims from explanatory claims and improved traceability from evidence to conclusions. Coding and synthesis were conducted by a single reviewer. To reduce interpretive bias, the thesis used a fixed coding template (Table 4), applied it consistently across studies, and recorded notes on both consistent and conflicting evidence rather than forcing convergence.

Table 4 Coding frame used for narrative synthesis

CODING ELEMENT	WHAT WAS RECORDED (SIMPLE DEFINITION)	HOW IT SUPPORTS SYNTHESIS IN THIS THESIS

Bibliographic information	Author(s), year, journal/publisher	Ensures traceability and accurate referencing
Context and setting	China setting (region/industry if stated), firm type, sample/participants	Checks relevance to Chinese family-firm HRM and avoids over-generalization
Study type and method	Conceptual/review vs empirical; method (e.g., case study, interviews, survey)	Helps interpret evidence strength and compare like with like
Core constructs	Key concepts used (e.g., SEW, governance logics, guanxi, voice/silence, green HRM)	Links evidence back to the conceptual lenses in Chapters 1–2
HR domain	Recruitment/selection; training/development/succession; compensation; employee relations/voice; ESG/green HRM	Keeps synthesis anchored to the Chapter 3–4 module structure
HRM logic (relational–formal–hybrid)	Main coordination logic and any insider–outsider boundary effects	Makes hybrid patterns comparable across HR processes
Mechanism chain (key link)	The main "how/why" pathway supported (cause → process → outcome)	Keeps the review mechanism-oriented, not purely descriptive
ESG pressure note (when relevant)	Whether ESG increases evidence/visibility demands; "formal floor" vs policy–practice gap	Integrates Chapter 4 into the same coding logic and tests stability of hybridity

Source. author's elaboration

Table 5 Guiding questions → evidence needed → search blocks

Guiding question (mechanism-oriented)	What counts as evidence (what to look for in studies)	Key constructs to capture	Search block(s) most relevant
1) Why do relational HR practices persist in Chinese family firms?	Explanations of informal institutions; trust-based coordination; family control motives; examples of relational HR practices in China	Confucian norms, guanxi, clan culture, paternalistic leadership, SEW motives, stewardship logic	Block 1 + Block 2
2) When and why does formal HRM emerge under family control?	Triggers of formalization (growth, complexity, professionalization, outsider dependence, fairness risks); evidence that rules increase credibility	Agency logic, procedural justice, transparency, documentation, professionalization	Block 2
3) How is hybrid HRM "assembled" differently across HR processes?	Comparative findings across recruitment, development/succession, compensation/employee relations; selective formalization logic	Relational–formal–hybrid lens; insider–outsider boundary; selective formalization; HR architecture	Block 2 (plus Block 1 where needed)
4) How do recruitment and selection practices balance trust and fairness?	Evidence on referral hiring, guanxi screening, entry barriers; fairness perceptions of outsiders; attraction issues	Guanxi screening, labor market reputation, procedural justice, access/opportunity	Block 2 + Block 1
5) How do training, development, and succession reflect relational vs formal logics?	Evidence on successor selection, mentoring, staged transfer of authority; signals to nonfamily talent; governance constraints	Succession, paternalism, hierarchy/face, professionalization, talent commitment	Block 2 + Block 1
6) Why are compensation and employee relations key "fairness tests" of hybridity?	Studies linking pay/promotion opacity to justice, trust, silence, retention; insider exceptions vs formal standards	Procedural justice, insider–outsider differences, voice/silence, psychological safety	Block 2 + Block 3

7) How does ESG pressure change what becomes visible and measurable in HRM?	ESG reporting demands; indicators; policies and records; external scrutiny; credibility concerns	ESG visibility, employee protection indicators, reporting logic, credibility	Block 3
8) Does ESG create a stable "formal floor," or a policy–practice gap?	Evidence of symbolic adoption vs embedded routines; selective enforcement; uneven protection/opportunity	Policy–practice gap, selective enforcement, insider–outsider boundary, compliance routines	Block 3 + Block 2
9) How do inclusion and voice become contested under family control?	Evidence on access, opportunity, retaliation risk, voice channels, silence dynamics	Inclusion, employee voice/silence, psychological safety, procedural justice	Block 3 + Block 1
10) What makes green HRM (esp. environmental training) real rather than symbolic?	Evidence on bundles (training + performance + rewards + involvement); conditions for effectiveness; AMO logic (ability–motivation–opportunity)	Green HRM, environmental training, AMO (ability–motivation–opportunity), participation	Block 3
11) How can ESG be integrated into the HR cycle in a hybrid system?	Evidence and arguments about embedding ESG into recruitment, training, performance, rewards, and employee relations	HR cycle integration, system design, sustainability routines, accountability	Block 3 + Block 2

Source. author's elaboration

5.4.2 Reference management and review log

Reference management and audit trail. Records identified through keyword searching and citation tracing were stored and managed in Zotero. A total of 80 full-text PDFs were downloaded for detailed assessment. After deduplication, these PDFs corresponded to 75 unique studies at the full-text stage. Based on the inclusion/exclusion rules, 49 studies were retained as core evidence and cited in the thesis, while 26 studies were excluded after full-text screening (mainly due to weak relevance to Chinese family-firm HRM, superficial HRM/ESG content, or limited mechanism detail for coding). To improve auditability given the iterative nature of integrative reviews, Appendix A provides a core-study table that records for each retained study: context, method, HR domain, relational-formal-hybrid coding, ESG relevance, and how the study was identified (keyword search vs backward/forward snowballing). Main search strings and retrospective date stamps are reported in Appendix B.

5.4.3 Narrative synthesis

The narrative synthesis followed the chapter structure to keep the discussion concrete and to avoid purely abstract integration. Within Chapter 3 themes, studies were compared to explain: (a) why relational practices persist under family control in China, (b) when formalization becomes necessary (e.g., growth, professionalization, fairness concerns,

outsider dependence), and (c) how hybrid HRM is assembled differently across HR processes. The key comparison was not whether a firm is "traditional" or "modern," but where formality is placed and where relational discretion is kept, and how this arrangement shapes employee-relevant outcomes such as procedural justice and willingness to voice concerns.

Within Chapter 4 themes, ESG pressure was used to examine whether hybrid HRM produces a stable formal floor (e.g., protection procedures, inclusion and voice channels, green routines and accountability), or whether a gap appears between formal policy and daily practice (e.g., symbolic training without reinforcement, selective enforcement across insiders and outsiders). ESG was treated as a useful test condition because it increases demands for visible evidence (policies, records, indicators) while implementation in Chinese family firms may still depend strongly on relational authority in daily work. When the thesis offers recommendations, they are framed as design implications consistent with the reviewed evidence and the stated China-family-firm context, rather than universal solutions.

Finally, limitations that follow from an integrative review are acknowledged. Because the review emphasizes purposeful coverage and conceptual integration rather than exhaustive database coverage, selection bias is possible. This risk is mitigated by transparent boundaries, clear inclusion and exclusion rules, consistent coding, and systematic snowballing around central studies. The thesis therefore claims credibility through clarity of procedure and traceability of reasoning, not through claims of completeness. In addition, three limitations are important. First, Google Scholar provides broad coverage but offers less control over reproducible ranking and filtering than structured databases, which may affect what appears in early screening. Second, because the synthesis is narrative and mechanism-oriented, interpretation cannot be fully separated from the author's judgement; this risk is reduced through a transparent coding frame and by retaining both consistent and conflicting evidence when studies disagree. Third, the literature on ESG and green HRM in Chinese family firms is still uneven across industries and firm sizes, so generalizations should be treated as context-dependent rather than universal.

5.5 Discussion of key findings

5.5.1 Hybrid HRM is not a compromise, but a patterned allocation of formality and discretion

Across the reviewed literature, the main finding is that HRM in Chinese family firms is rarely "purely relational" or "purely formal." Instead, it is usually hybrid, but in a structured way: formality is placed where external visibility, legal risk, or fairness sensitivity is high, while relational discretion remains strong where trust, tacit knowledge, or family control is central. This aligns with the broader family-firm HRM conversation that professionalization often happens through selective formalization rather than full replacement of informal governance.

A useful way to interpret this pattern is to treat hybridity as an allocation decision: which HR processes receive a "formal floor" (minimum standards, documentation, procedures), and which domains remain relationship-governed (discretion, personalized judgement, insider-based trust). Chapter 3 showed this allocation across recruitment, development/succession, and compensation/employee relations; Chapter 4 then showed that ESG increases the costs of "invisible HR," pushing firms to raise the formal floor in employee-facing areas. This also helps reduce a common confusion in the literature: hybridity is not automatically a middle point, but a design choice about where rules are enforced and where exceptions are tolerated.

Some studies still treat professionalization as a linear move "from relations to rules," while others show that relational mechanisms persist even after formal systems appear. The tension is not about whether relational governance disappears, but about whether formal systems become real constraints on discretion or remain a symbolic layer that can be bypassed.

5.5.2 Relational governance can create capability, but it also creates fairness risk

A second key finding is that relational governance in China is not only a cultural residue; it can be a functional capability under uncertainty. Work on guanxi in Chinese family firms shows that guanxi is not simply an "open network" tool: it often depends on intimacy, trust, and obligation, and can facilitate access to resources and opportunity identification when institutions are weak or uncertain (Su et al., 2023).

In family firms, the same logic can support HR outcomes in early stages: fast hiring through trusted ties, quick coordination, and strong commitment norms. Yet the literature also highlights a clear trade-off: relational HRM can become exclusionary and generate insider–outsider boundaries, especially when growth increases workforce diversity and when nonfamily talent becomes critical.

This tension becomes visible in high-trust roles. In succession research, founders located in regions strongly influenced by Confucianism are more likely to appoint family or guanxi-connected successors (M. Chen et al., 2021). The same study also reports that family/guanxi-connected successors can outperform other successors in that context, partly because they can acquire founder-specific tacit assets through internal experience (M. Chen et al., 2021). This is important for the thesis because it shows why "insider preference" is not always irrational: it can protect tacit resources and continuity. However, it also implies a boundary condition: outsider mobility may be structurally limited even when outsiders perform well, because access to internal experience and trust is not equally distributed.

Relational advantage tends to be strongest when (a) the firm depends on tacit founder assets, (b) uncertainty is high, and (c) coordination relies on personal trust. As soon as (a) the firm grows, (b) HR decisions become visible and contestable, and (c) outsider dependence rises, relational discretion becomes harder to justify and more costly to maintain.

5.5.3 Formalization can protect employees, but it can also provoke resistance and new conflicts

A third finding is that formal HRM does not only serve efficiency; it can be employee-protective when it reduces uncertainty, clarifies standards, and provides grievance procedures. This logic is consistent with the argument that employee-facing areas (pay fairness, complaint handling, protection routines) often need a formal floor to be credible.

At the same time, contrasting evidence in the family-firm literature warns that formalization can create backlash or unintended effects, especially when it is seen as limiting family discretion or exposing internal hierarchy conflicts. In executive compensation research on Chinese family firms, family altruism and favoritism are often assumed to harm nonfamily executives. Yet Guo and Deng (2024) complicate this story: they argue that "hierarchical inconsistency" between informal family hierarchy and

formal business hierarchy can make nonfamily executive jobs more demanding and is associated with higher nonfamily executive compensation (Guo & Deng, 2024). This is a useful counterpoint for the discussion: it shows that family ties do not always produce simple underpayment of outsiders; under some structural tensions, outsiders may gain bargaining power and compensation.

What this tension means for the framework of this thesis. Formalization can improve fairness and protection when it is enforced consistently, but it can also reveal or intensify power struggles. Therefore, it is not enough to claim "more formality = better." The key questions become: who controls the formal rules, who receives exceptions, and whether enforcement is predictable across relationship distance.

The literature still disagrees on whether formal HRM in family firms mainly reduces agency problems (clear standards, monitoring) or mainly increases symbolic compliance (policies without constraint on discretion). The hybrid lens helps reconcile this tension: formal systems may exist, but their impact depends on whether they function as binding constraints in practice or remain largely symbolic tools of compliance.

5.5.4 ESG makes hybrid HRM more visible

Chapter 4 reframed ESG as a pressure mechanism rather than a parallel topic. The discussion here shows why that reframing fits the literature: ESG raises the demand for evidence, not just intention. In employee-facing domains, this pushes firms toward measurable routines (training coverage, incident handling records, complaint procedures). But ESG also increases the risk of symbolic action because visibility creates incentives to invest in what is easy to count.

This pressure becomes especially clear in sustainability-oriented HRM research. Su et al. (2023) show that sustainable HRM practices (compensation and retention) can strengthen the positive performance effects of intrafamily CEO succession, but they also frame sustainable HRM as multi-stakeholder and highly contextual (Su et al., 2023). This supports the thesis claim that ESG does not impose one universal HR model. Instead, it changes the conditions under which hybrid HRM is evaluated: external stakeholders want visible proof, while internal stakeholders judge whether protection and fairness are real.

Main tension (formal floor vs. policy–practice gap). ESG pressure can raise a formal floor (minimum standards, documentation), but the literature suggests this does not guarantee consistent practice. In family-controlled settings, where relational authority remains

strong, firms may comply on paper while still allocating protection and opportunity unevenly. This is exactly the logic that used to connect ESG to insider–outsider boundaries.

5.5.5 Green HRM and environmental training

Environmental training is a good example of ESG visibility pressure, because it is easy to document and report. Yet the green HRM literature is clear that training alone rarely produces sustained behavior change. Conceptual work on environmental training argues for moving from isolated initiatives to an integrated approach that links training to broader organizational systems (Jabbour, 2013). The systematic review work included similarly suggests that green HRM research repeatedly emphasizes systems and bundles rather than one-off programs (Miah et al., 2024).

This literature creates a direct bridge to the hybrid HRM argument. Under ESG pressure, firms may expand training because it is countable, but training becomes credible only if the HR system supports ability, motivation, and opportunity: clear role expectations, reinforcement through appraisal/rewards, and real channels for employee involvement in improvement. Otherwise, environmental training becomes a "countable compliance" practice that can even reduce trust.

The field still lacks enough China-family-firm-specific evidence on whether green HRM is implemented as deep routines or as symbolic reporting. The available reviews show a growing body of GHRM work, but the mechanisms and boundary conditions are uneven across contexts and industries (Miah et al., 2024). The thesis therefore makes a careful contribution by not overclaiming effect sizes; it instead explains why symbolic adoption is likely under visibility pressure, and when embedded routines are more plausible.

5.5.6 What the hybrid lens explains, and what remains open

Overall, the contrasted studies point to a coherent mechanism: Chinese family firms often rely on relational governance because it can protect tacit assets and coordinate under uncertainty (M. Chen et al., 2021; Su et al., 2023). Yet the same relational basis can create insider–outsider inequality and fairness risk, which becomes more costly as firms grow and as HR decisions become visible and contestable. Formalization can provide protection and predictability, but it can also be resisted or selectively applied, and its

effects depend on who controls enforcement and who receives exceptions (Guo & Deng, 2024).

ESG amplifies these tensions. It increases the demand for evidence and pushes a higher formal floor in employee-facing domains, but it also increases incentives for symbolic compliance and can widen policy–practice gaps. The literature on sustainable HRM and green HRM supports the core message that sustainability becomes credible only when embedded in HR systems rather than treated as separate programs (Jabbour, 2013; Miah et al., 2024; Su et al., 2023).

What remains open (and can be stated explicitly as "unresolved debates"):

1. **Performance versus fairness trade-off:** Some China-based evidence suggests insider choices can support performance through tacit asset transfer, while other work highlights the fairness and retention risks for outsiders. The boundary conditions are still not fully mapped.
2. **When formality constrains discretion:** The literature lacks agreement on when formal HR systems in family firms become binding constraints versus symbolic layers.
3. **ESG depth in family firms:** Current evidence supports ESG as a visibility pressure, but it remains debated when ESG leads to real employee-facing change versus reputational signaling. Sustainable HRM findings suggest both are possible depending on stakeholder management and internal–external alignment.
4. **Green HRM in Chinese family firms:** Reviews show strong consensus on bundles, but China-family-firm-specific mechanisms and implementation conditions remain under-developed.

5.5.7 Link back to the guiding questions

The review suggests that relational HR practices persist in Chinese family firms because they support trust-based coordination and protect sensitive control areas, while also fitting culturally accepted forms of authority. Formal HRM tends to emerge where decisions become easier to contest and where firms must justify actions to employees and external audiences. Hybrid HRM is assembled differently across HR processes because the stakes and control concerns vary by domain, creating uneven placement of formal floors and informal space. ESG pressure increases the demand for evidence and consistency, which

can strengthen employee-facing routines, yet also raises the risk of policy–practice gaps when implementation remains selective.

5.6 Proposed conceptual model / integrative framework

This section presents the integrative framework that emerges from Chapters 1–4. The framework is not added on top of the thesis; it is the *summary logic* of what the thesis has already shown. Chapters 1–2 explained why relationship-based coordination is legitimate and effective in many Chinese family-firm settings, and why family control brings governance motives that shape HR choices. Chapter 3 then showed that these motives do not translate into one fixed HR model. Instead, relational and formal elements are combined differently across HR processes Chapter 4 used ESG as a pressure mechanism to test whether these hybrid arrangements hold up when firms face stronger demands for evidence, consistency, and employee-facing credibility.

The proposed model therefore treats hybrid HRM as a patterned allocation of *rules* and *discretion* across HR processes, and treats ESG as a condition that raises the cost of inconsistency by making gaps easier to notice. In simple terms, the framework explains (1) why relational practices persist, (2) where formal routines are most likely to appear, (3) how employees evaluate hybrid systems through fairness and voice safety, and (4) why ESG pressure can either strengthen a credible minimum standard ("formal floor") or expose a policy–practice gap.

The framework is meant to explain four connected points and is designed around the thesis research logic.: The framework is designed around the thesis research logic and connects directly to the four guiding questions stated earlier. First, it explains persistence: relational HR practices continue in Chinese family firms because they support trust-based coordination, protect sensitive control areas, and fit culturally accepted forms of authority. Second, it explains selective formalization: formal HR routines tend to appear first in HR processes where decisions must be justified, compared, and defended, especially when fairness and employee risk are high. Third, it explains hybrid assembly across HR processes: recruitment, development/succession, and compensation/employee relations do not converge to the same balance of rules and discretion, because they involve different stakes and different forms of internal power. Fourth, it explains ESG as a stress test: ESG increases demands for visible evidence in people management, so it makes the hybrid mix more observable and, in some firms, more contested.

This framing matches the structure of the thesis: Chapters 1–2 provide drivers and mechanisms, Chapter 3 applies them in HR processes, and Chapter 4 examines what changes when ESG raises credibility demands in employee-facing areas.

5.6.1 Core model logic: from governance drivers to HR configurations

This subsection sets out the internal logic of the proposed framework. The aim is to show, in sequence, how family-firm governance motives shape HR configurations, how these configurations affect employee-facing outcomes, and how ESG pressure changes the visibility and credibility of the same hybrid mix. The model begins with foundational drivers in the Chinese family-firm context. Relational coordination remains strong in many Chinese organizational settings because it reduces uncertainty and supports cooperation through trust and obligation. In family firms, this logic is reinforced by family control. SEW arguments help explain why families value continuity, identity, and reputation alongside financial goals (Berrone et al., 2012). These motives can support long-term employment relationships and forms of personal care. They can also strengthen inner-circle logic when sensitive roles are linked to control and trust.

These drivers shape HR configurations through domain-specific choices. Chapter 3 showed that HR is rarely formalized as a single package. Instead, formal routines are often added where the costs of informal decisions are higher—especially in visible and fairness-sensitive domains such as pay structures, promotion criteria, grievance routines, safety practices, and protection procedures. Relational discretion tends to remain stronger where decisions are tightly linked to trust, identity, and control, such as key staffing and succession-related pathways. Training and development often sit between these poles: informal mentoring and sponsorship can remain central, while more structured development steps may be introduced as firms grow.

Employee-facing outcomes form the main test of whether hybridity works. In this thesis, employees evaluate hybrid systems less by whether policies exist and more by whether rules and opportunities apply across relationship distance. Evidence from mainland China suggests perceived hybrid HRM can support well-being when structured management reduces uncertainty and clarifies expectations (L. Xu et al., 2024). That positive pattern is conditional. Hybrid systems tend to be accepted when formal routines function as real safeguards and when relational discretion does not override fairness-sensitive rules. When employees observe selective enforcement—rules applied to outsiders while

insiders receive quiet exceptions—formalization can increase cynicism because it raises expectations without changing outcomes. This is why the insider–outsider boundary is treated as a mechanism rather than a side theme.

ESG pressure increases scrutiny of this same hybrid mix. As Chapter 4 showed, ESG raises demand for evidence in people management: policies, records, indicators, and minimum standards. It can push firms to strengthen the formal floor in employee-facing domains such as protection routines, complaint handling, and green routines. At the same time, ESG can widen a policy–practice gap when visibility grows faster than enforcement capacity or willingness. This risk is especially clear in environmental training: training is easy to count, but green HRM research suggests it becomes credible only when embedded in broader bundles that link training to expectations, reinforcement, and employee involvement (Jabbour, 2013; Miah et al., 2024). Sustainable HRM research makes a similar system-level point: commitments become credible when integrated into core HR functions (Piwowar-Sulej, 2021). In the model, ESG therefore increases the cost of inconsistency by making gaps easier to detect for both employees and external audiences.

5.6.2 Boundary conditions that explain variation across firms

Building on the core model logic outlined above, this subsection identifies the main boundary conditions that shape how the hybrid pattern actually develops across firms. The reviewed literature does not support a single, uniform version of hybrid HRM; instead, the balance between rules and relational discretion shifts with firm context. The literature reviewed in this thesis does not support a universal claim that family control improves or harms HR outcomes. The framework therefore includes boundary conditions that explain why hybrid HRM looks stable in some firms and contested in others.

First, scale and complexity matter. As firms grow, founder-center discretion becomes harder to apply consistently, and HR decisions become more visible and comparable. Second, dependence on nonfamily professionals' matters. When outsiders are central to performance, perceived unfairness and weak voice protection become more damaging for retention and credibility. Third, governance frictions matter. When informal family hierarchy conflicts with formal business hierarchy, outsiders may face heavier burdens and unpredictable authority relations, which can reshape compensation and retention dynamics (Guo & Deng, 2024). Fourth, ESG visibility intensity matters. Stronger reporting demands and stakeholder scrutiny increase pressure for documented routines

and measurable outcomes. Fifth, resource pressure matters. Under tighter resources and strong competition, firms may favor low-cost visible actions (such as training counts) over deeper redesign, increasing the risk of symbolic compliance.

These boundary conditions help connect contrasting findings in the literature into one explanation: the same governance motives and cultural legitimacy can produce different HR outcomes depending on organizational scale, outsider dependence, and the strength of external visibility demands. It also helps clarify how the same mechanism can produce different outcomes across studies. On this basis, the next subsection restates the thesis argument as a set of mechanism-based main findings derived from the framework.

5.6.3 Main findings derived from the framework

Building on the core model logic (Section 5.6.1) and the boundary conditions discussed above (Section 5.6.2), the framework yields five main findings that summarize the thesis argument. These are not statistical hypotheses. Instead, they are mechanism-based findings drawn from the literature review and used to explain how hybrid HRM tends to operate in Chinese family firms, and under what conditions different outcomes become more likely.

Finding 1 (selective formalization across HR processes): The review points to a recurring pattern of selective formalization rather than one fixed HR model. In Chinese family firms, clearer formal routines and a binding minimum standard (a "formal floor") are more often found in HR processes where decisions are highly visible, easier to compare, and more likely to generate fairness claims or external scrutiny. By contrast, relational discretion tends to remain stronger in processes tied more closely to trust, insider coordination, and sensitive control concerns. This should not be read as a simple one-way causal claim. The literature supports a patterned fit instead: fairness-sensitive and highly visible HR processes are the settings in which firms are more likely to formalize, and once formalization is introduced, visibility and fairness expectations also tend to increase.

Finding 2 (formalization depends on enforcement consistency): The effect of formalization depends less on whether rules exist and more on whether they are enforced consistently. A formal floor is more likely to support fairness, well-being, and employee voice when it actually limits informal exceptions across insiders and outsiders. When the same formal floor exists on paper but exceptions still track relationship closeness,

formalization can raise expectations without improving trust. In that situation, employees may become more cautious, and silence or exit intentions become more likely.

Finding 3 (the insider–outsider boundary is a central employee-facing pathway): Across the reviewed literature, the insider–outsider boundary emerges as a central pathway linking hybrid HRM to employee outcomes. Employees respond less to whether a policy formally exists and more to whether access, protection, and opportunity are predictable for outsiders as well as insiders. This helps explain why the same HR system can be described internally as "caring" by some employees and as unfair or unreliable by others.

Finding 4 (ESG pressure increases visibility, but not automatically credibility): ESG pressure tends to raise the demand for visible evidence, documentation, and measurable routines in employee-facing HR processes, which can strengthen a credible minimum standard ("formal floor"). At the same time, ESG pressure can also increase the risk of policy–practice gaps when reporting and documentation expand faster than credible implementation and enforcement. In this sense, ESG does not automatically improve HRM quality. A key effect is that it increases the cost of inconsistency by making gaps easier to observe, compare, and question.

Finding 5 (green HRM is credible when embedded, not isolated): The reviewed green HRM literature suggests that environmental training is more likely to produce real behavioral change when it is embedded in a broader green HRM process bundle that connects training to performance expectations, reward signals, and employee involvement. When environmental training is treated as a stand-alone activity, it is more likely to function as a reportable signal than as a durable driver of behavior. This implication is conceptually consistent with the hybrid HRM argument developed in this thesis, although direct evidence from Chinese family firms remains more limited.

Above all, these five findings directly answer the guiding research question. They show that relational and formal HRM logics coexist in Chinese family firms through a patterned hybrid arrangement; that this arrangement varies across HR processes rather than appearing as one fixed model; and that ESG pressure makes the strengths and weaknesses of hybrid HRM more visible, especially in employee-facing areas where fairness, protection, and voice are closely observed.

5.6.4 Framework integration across chapters

Finally, the framework clarifies how the chapters fit together and why the thesis implications should be conditional rather than universal. Chapters 1–2 explain why relational coordination persists and why family governance motives shape HR choices. Chapter 3 shows how hybrid HRM is assembled unevenly across HR processes, and why fairness and voice are the main employee-facing test points. Chapter 4 shows why ESG increases demands for evidence and consistency, raising the formal floor in some areas while also exposing policy–practice gaps where enforcement remains selective.

This integration prepares the conclusion chapter in a clear way. The thesis does not argue that Chinese family firms should become fully formal, nor that relational HRM should be preserved without limits. Instead, it argues that a sustainable hybrid system depends on where the formal floor is placed, and whether it is enforced in a way that outsiders experience as fair and safe. Under ESG pressure, this becomes harder to avoid: credibility increasingly depends on consistent routines rather than intentions, and contested hybridity becomes more visible in employee-facing outcomes such as protection, inclusion, voice, and the credibility of green practices.

5.7 Implications (theoretical and managerial)

This thesis does not argue for one "best" HR model. The reviewed literature shows that HRM in Chinese family firms is usually built as a hybrid. Relational discretion and formal rules sit together, but not randomly. Firms tend to formalize where decisions are visible, risky, or easy to contest, and they keep discretion where trust, tacit knowledge, and family control matter most. ESG is important because it changes what counts as credible HR. It increases the need for proof—policies, records, and minimum standards—while daily delivery may still rely on relational authority. The implications below follow the logic of Chapters 1–4 and the framework in Section 5.6, and they are stated carefully because the literature contains tensions rather than a single clear answer.

5.7.1 Theoretical implications

First, the thesis suggests a clearer way to talk about hybrid HRM. Hybrid HRM is often described as a compromise or a transition stage. The evidence reviewed here points to something more specific: hybridity is a choice about where rules must hold and where discretion is allowed. This matters for how professionalization is interpreted. Some

studies treat professionalization as a one-way move from relationships to rules, while others show that relational control stays strong after formal HR systems appear. These positions look inconsistent only if hybrid HRM is treated as a label. Once hybridity is treated as placement—where a firm puts binding routines and where it keeps informal space—the tension becomes easier to explain. A firm can add formal systems and still keep relational control in sensitive areas, or it can formalize in ways that truly restrict discretion in employee-facing domains.

Second, the thesis connects family governance motives to HR design in a more concrete way. SEW arguments describe why families value continuity, identity, and reputation alongside financial goals (Berrone et al., 2012). The contribution here is to show how those motives shape the HR system through domain choices, not through broad cultural claims. Where trust and control are sensitive, relational discretion tends to be protected. Where decisions must be justified and defended—to employees, regulators, investors, or the labor market—a stronger formal floor becomes harder to avoid. This helps explain why the same firm can look highly relational in succession-related pathways but more formal in pay structures, complaint routines, or safety practices.

Moreover, the review points to the insider–outsider boundary as the main link between HR systems and employee outcomes. Employees are not only reacting to whether policies exist. They are reacting to whether rules and opportunities apply across relationship distance. Succession research makes the mechanism visible in an extreme setting. Confucian influence is linked to a higher likelihood of choosing family or guanxi-connected successors, and connected successors can perform well partly because they gain internal experience that helps them access founder-specific tacit assets (M. Chen et al., 2021). This supports the idea that insider preference can protect capability under certain conditions. At the same time, it shows why fairness problems persist: outsiders may face ceilings because access to internal experience, sponsorship, and trust is uneven. In this thesis, outcomes such as fairness perceptions, silence, and retention are therefore treated as results of boundary management, not simply as results of “better” or “worse” HR tools.

The thesis also treats formalization as both protective and contested. Formal HR routines can reduce uncertainty, clarify expectations, and create credible procedures, which can support well-being when employees experience real clarity and follow-through (L. Xu et

al., 2024). Yet formalization also changes internal power. In family firms, it can be resisted when it limits discretion or exposes hierarchy conflicts. The evidence is not one-sided. Compensation research, for example, suggests that when informal family hierarchy and formal business hierarchy do not match, nonfamily executive roles can become more demanding and may be linked to higher pay (Guo & Deng, 2024). This complicates the simple story that outsiders always lose. It also supports a more careful theoretical point: the impact of formal HRM depends on enforcement and internal structure, not on whether policies are written down.

In addition, the thesis positions ESG as a pressure that changes evaluation standards. ESG increases expectations for traceable routines in employee-facing areas. That can strengthen a formal floor in domains such as protection, complaint handling, and some forms of inclusion. It also raises the risk of a policy–practice gap if firms invest mainly in what is easy to show. This argument is consistent with sustainable HRM work that treats sustainability as credible only when it is built into core HR functions (Piwowar-Sulej, 2021). Green HRM research makes a similar point in a narrower way: environmental training works best when it is tied to performance expectations, reinforcement, and employee involvement, rather than used as a stand-alone activity (Jabbour, 2013; Miah et al., 2024). The thesis links these ideas back to hybrid HRM: ESG makes "paper systems" easier to spot, and it makes selective enforcement more costly.

5.7.2 Managerial implications for Chinese family firms

For practice, the thesis does not suggest replacing relational HRM with full formalization. It suggests building a hybrid system that employees can trust. That means deciding where rules must be binding and where flexibility is acceptable, and then making sure the difference is visible and defensible.

Employee-facing domains need a real formal floor. Some areas quickly become practical "tests" of whether the system is fair: complaint handling, retaliation protection, basic safety routines, and clearer standards for pay progression and promotion. In these areas, credibility comes from routines employees can predict—clear steps, named responsibility, time frames, and follow-up—rather than broad statements.

At the same time, exceptions need to be handled in a way that does not turn flexibility into hidden favoritism. Family firms often value discretion, and in some cases, it is genuinely useful. Problems start when exceptions follow closeness and leave no trace.

When insiders can bypass rules while outsiders cannot, formalization may create cynicism because it raises expectations without changing outcomes. Clear exception rules—who can approve, what reasons count, and what must be recorded—help keep flexibility while limiting quiet special treatment.

Inclusion raises a related issue. Bringing outsiders into the firm is not enough if they cannot access the experiences that build trust and lead to promotion. The review suggests that unequal access to internal experience is one reason ceilings persist. Managers can reduce this barrier by making access to key projects, mentoring, and development investment more transparent. This does not remove relational mentoring; it makes it less exclusive and more defensible.

Voice is another area where the difference between policy and practice becomes obvious. Voice systems fail when employees expect punishment, or when silence feels like the safer option. A basic routine for case handling—predictable follow-up and clear protection—makes voice less dependent on personal backing. ESG can support this shift when it pushes firms to document case handling and follow-up, but only if the routine applies beyond the inner circle.

ESG execution also matters in daily work, not only in reports. Environmental training is often an early step because it is easy to count. Yet green HRM research suggests training becomes credible when it is linked to work expectations, reinforcement, and real chances for employees to contribute improvements (Jabbour, 2013; Miah et al., 2024). In a hybrid system, consistent enforcement matters as much as program design. If insiders receive informal tolerance while outsiders face strict rules, green routines will be experienced as unfair and trust will weaken.

Overall, hybrid HRM can be a strength for Chinese family firms when relational coordination is combined with a binding formal floor in domains that shape employee safety, fairness, and voice. Under ESG pressure, the same hybrid mix becomes easier to evaluate. When routines are real and consistently applied, ESG can strengthen credibility. When routines remain mostly on paper and exceptions track closeness, ESG is more likely to widen the gap between claims and employee experience.

5.8 Limitations and future research

This thesis uses an integrative literature review with narrative synthesis to explain how relational, formal, and hybrid HRM coexist in Chinese family firms, and how ESG

pressure makes these patterns more visible and more contested. The method fits a mechanism-focused question, but it also sets clear limits. The points below state those limits in concrete terms, then translate them into specific research steps that could strengthen or challenge the framework.

5.8.1 Limitations

One limitation relates to how the literature was identified. The search relied mainly on Google Scholar, supported by backward and forward citation tracing, and it was conducted iteratively around 2025. This strategy helped connect family business research, HRM system design, and ESG/green HRM across disciplines. At the same time, Google Scholar is not fully transparent or stable in how it ranks results, and the same keywords can return different lists across time and users. Compared with a database-led review using fixed filters, this reduces reproducibility. The thesis addresses the risk through explicit search blocks, clear inclusion rules, and a consistent coding frame, yet it cannot claim that another reader would retrieve exactly the same initial result sets.

A related limitation comes from the thesis being mechanism-oriented. The review prioritized studies that explain how and why HR patterns emerge, rather than studies that only list practices. This strengthens integration, but it also shapes what enters the synthesis. Papers that use clearer constructs or provide explicit pathways are easier to code and compare; papers that contain rich descriptive detail but weaker mechanism language may be underused. This matters in employee-facing areas where process detail is crucial—complaint handling, retaliation protection, and the daily functioning of voice channels—because many studies mention these topics but fewer describe the steps and the enforcement conditions inside the firm.

Another constraint is that the available evidence is not evenly distributed across types of Chinese family firms. Many studies focus on listed family firms, larger firms, or settings where reporting and external scrutiny are already strong. This can make HR systems and ESG engagement look more formal than they may be in private SMEs. In smaller firms, HR decisions can be more personal, less documented, and more dependent on local networks; ESG pressure may be weaker or more indirect (for example, driven by supply-chain customers rather than public disclosure). The thesis argues that hybrid HRM is common, but the balance between relational discretion and formal routines—and the pace at which a formal floor emerges—may differ across these segments.

There is also a measurement gap between ESG and employee experience. Chapter 4 treats ESG as a pressure mechanism that raises demands for evidence in people management. Many ESG studies, however, rely on ESG scores, reports, or disclosure indicators rather than employee-level data. That creates a mismatch with the thesis logic, which treats employee-facing outcomes—protection, fairness, inclusion, and voice safety—as the main test of system credibility. When research measures "ESG performance" but not whether complaint channels are trusted or whether retaliation is feared, it becomes difficult to test the exact mechanism proposed here. The thesis can offer a coherent explanation, but it cannot make strong general claims about how ESG changes employee experience across Chinese family firms.

Conceptual consistency across streams is another practical limit. This thesis integrates governance and SEW, HRM formalization and professionalization, justice and voice research, and sustainable/green HRM. These literatures do not share one vocabulary. Terms such as informal HRM, hybrid HRM, sustainable HRM, and green HRM often refer to different bundles and levels of analysis. Even "family involvement" varies across studies, sometimes referring to ownership, sometimes management, sometimes control rights, and sometimes a family CEO. The relational–formal–hybrid lens and the coding template reduce confusion, but differences in definitions and measures still limit how precisely results can be compared across studies and across HR processes.

Finally, the narrative synthesis cannot establish causality or estimate effect sizes. It can compare mechanisms and highlight boundary conditions, but it cannot rule out alternative explanations. Firm growth, industry regulation, and market competition can drive formalization at the same time as family governance motives. ESG pressure may also correlate with better resources or stronger governance, which could improve HR delivery regardless of "ESG" as a label. The thesis therefore proposes plausible pathways that fit the literature, rather than proving that one driver causes one outcome in a general way.

Green HRM and environmental training bring one more specific limitation. Reviews often agree that training becomes credible when it is part of a broader bundle linked to performance expectations, rewards, and employee involvement. Yet China-family-firm evidence is still uneven on implementation quality. Many studies can show that training exists or that participation is recorded, but fewer can show what happens afterward—how managers reinforce it, whether employees can act on it, and whether enforcement is

consistent for insiders and outsiders. Because this thesis uses environmental training as a clear ESG stress test, limited implementation detail reduces how concrete the conclusions can be in this part of the framework.

5.8.2 Future research

Future research can test the framework more directly by bringing HR delivery and employee experience closer to the center of the evidence.

A useful step is to measure "experienced ESG" rather than only "reported ESG." Studies can combine firm-level data on routines (for example, whether complaint cases are recorded, investigated, and closed within a set time frame) with employee surveys on perceived fairness, voice safety, retaliation risk, and well-being. This would allow researchers to test the core idea from Chapter 4: ESG visibility can raise a formal floor, yet policy–practice gaps appear when documentation grows faster than credible enforcement.

It would also help to measure hybridity as a domain-by-domain profile. Instead of labeling firms as simply more formal or more informal, research can track where the formal floor is strong (pay structures, protection routines, grievance handling) and where discretion remains dominant (sensitive staffing, succession pathways, internal sponsorship). These "hybrid placement profiles" can then be linked to outcomes that matter in this thesis, such as retention of nonfamily talent, willingness to voice concerns, and trust in HR processes. This approach fits the argument that hybridity is not a vague mix but a structured allocation across HR processes.

More evidence is also needed on how exceptions operate. Many of the tensions in hybrid systems appear when insiders receive informal flexibility while outsiders face strict rule enforcement. Future work can trace concrete episodes—promotion decisions, safety incidents, harassment complaints, environmental rule breaches—and document who can bypass rules, how bypassing is justified, and how employees interpret it. Case studies, internal HR records where accessible, and structured interviews across multiple roles (family members, nonfamily managers, HR staff, and employees) would provide the process detail that is often missing.

Inclusion research could also move beyond policy language and focus on the allocation of internal experience. The thesis argues that outsiders may face ceilings because they have less access to key projects, rotations, mentoring, and safe sponsorship. Future studies

can examine career paths inside family firms, comparing insiders and outsiders on exposure to high-impact assignments and promotion speed, while also tracking voice behavior and exit decisions. Even modest longitudinal designs would clarify whether inclusion problems come mainly from entry barriers or from unequal access to development pathways over time.

Boundary conditions deserve sharper testing as well. The thesis proposes that firm size, complexity, dependence on nonfamily professionals, governance frictions, and the intensity of ESG visibility pressure shape whether hybridity becomes stable or contested. Research designs that compare private SMEs with listed family firms, or match family and nonfamily firms within the same industry and region, would help separate the influence of family control from the influence of regulation and market structure.

Green HRM research in the Chinese family-firm setting could be strengthened by shifting attention from "training exists" to "training is embedded." Studies can measure whether environmental training is connected to job expectations, reinforced by supervisors, supported by appraisal or recognition, and paired with employee involvement in improvement. At the same time, enforcement consistency across relationship distance should be treated as a key variable, because it links green routines back to the insider–outsider mechanism that runs through Chapters 3–4.

Overall, these directions point to the same improvement: move from broad labels to observable routines, and from reported systems to employee experience. That shift would allow stronger tests of the main claim developed in this thesis—that hybrid HRM in Chinese family firms is a patterned design whose credibility depends on where the formal floor is placed and how consistently it is enforced, especially when ESG raises the demand for evidence.

5.9 Conclusion

This chapter has clarified both the basis of the thesis and the meaning of its main findings. The methodology section explained why an integrative literature review with narrative synthesis is appropriate for a research question that crosses governance, HRM systems, employee outcomes, and ESG-linked people management. It also made the review process traceable by describing the search blocks, screening rules, and coding approach used to connect studies to the relational–formal–hybrid lens and to the HR processes that structure Chapters 3 and 4. This provides a clear foundation for the claims made in the

thesis: the argument is built through systematic synthesis of mechanisms and boundary conditions, not through isolated examples or unsupported generalizations.

The discussion section then brought the evidence together into a coherent explanation. HRM in Chinese family firms is rarely purely relational or purely formal; it is typically hybrid in a patterned way. Formal routines tend to strengthen where decisions are visible and fairness-sensitive, while relational discretion remains influential where trust, tacit knowledge, and family control are central. This hybrid mix can function well when employee-facing domains have a binding formal floor and when enforcement is predictable across relationship distance. The same mix becomes contested when exceptions follow closeness, since selective enforcement shifts hybrid HRM from flexible coordination to perceived unfairness and silence. ESG pressure intensifies this dynamic by raising demand for evidence in people management. It can strengthen minimum standards in protection, voice channels, and green routines, yet it can also widen policy–practice gaps when documentation grows faster than credible implementation.

Finally, the chapter translated these findings into an integrative framework and into implications that are intentionally conditional rather than universal. The framework shows how governance motives and context shape domain-by-domain HR configurations, how insider–outsider boundaries link those configurations to employee experience, and why ESG functions as a stress test that increases the cost of inconsistency. The limitations and future research section highlighted what the current literature cannot yet resolve, especially the need to measure employee-experienced ESG, to capture hybrid "placement profiles" across processes, and to document how exceptions are granted and enforced in practice.

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APPENDICES

Appendix A

This audit table lists the 49 sources cited in-text and used as core evidence in the thesis. Search route ("How found") is reported retrospectively: most items were located via Google Scholar keyword searching, while a small set of foundational classics is marked as backward snowballing.

Author (first)	Year	Short title	Context/setting	Method	HR domain	HRM logic	ESG (Y/N)	How found	Supports RQ	Notes (why included)
XU	2020	GUANXI HRM PRACTICE AND EMPLOYEES' OCCUPATIONAL WELL-BEING IN CHINA	CHINA	QUANTITATIVE EMPIRICAL STUDY (MULTILEVEL SURVEY DESIGN)	EMPLOYEE RELATIONS/VOICE/FAIRNESS	RELATIONAL	N	KEYWORD (RETROSPECTIVE)	RQ1–RQ3	USED IN SYNTHESIS FOR EMPLOYEE RELATIONS/VOICE/FAIRNESS; HRM LOGIC CODE: RELATIONAL
CHEN	2021	FAMILY BUSINESS IN CHINA, VOLUME 1	CHINA; FAMILY FIRM	BOOK (HISTORICAL/INSTITUTIONAL ANALYSIS; NON-EMPIRICAL)	GENERAL HRM / GOVERNANCE	UNCLEAR	N	KEYWORD (RETROSPECTIVE)	RQ1–RQ3	FOUNDATIONAL CONCEPT / CONTEXT LENS
MARLER	2021	HUMAN RESOURCE MANAGEMENT IN FAMILY	FAMILY FIRM (GENERAL)	BOOK CHAPTER (INTEGRATIVE LITERATURE REVIEW / FUTURE	GENERAL HRM / GOVERNANCE	UNCLEAR	N	KEYWORD (RETROSPECTIVE)	RQ1–RQ3	FOUNDATIONAL CONCEPT / CONTEXT LENS

		FIRMS: REVIEW, INTEGRATION, AND OPPORTUNITIE		RESEARCH AGENDA; NON-EMPIRICAL)						
XU	2024	RESISTANCE OR COMPATIBILITY	CHINA; FAMILY FIRM	QUANTITATIVE EMPIRICAL STUDY	GENERAL HRM / GOVERNANCE	RELATIONAL	N	KEYWORD (RETROSPECTIVE)	RQ1	FOUNDATIONAL CONCEPT / CONTEXT LENS; HRM LOGIC CODE: RELATIONAL
WU	2025	THEORETICAL EXPLORATION OF SUSTAINABLE HUMAN RESOURCE MANAGEMENT SYSTEMS	CHINA	MIXED-METHOD EMPIRICAL STUDY	ESG/GREEN HRM	HYBRID	Y	KEYWORD (RETROSPECTIVE)	RQ4	USED IN SYNTHESIS FOR ESG/GREEN HRM; USED FOR ESG/STRESS-TEST
KAHN	1990	PSYCHOLOGICAL CONDITIONS OF PERSONAL ENGAGEMENT AND DISENGAGEMENT AT WORK.	GENERAL/OTHER CONTEXT	QUALITATIVE EMPIRICAL STUDY	EMPLOYEE RELATIONS/VOICE/FAIRNESS	UNCLEAR	N	SNOWBALLING (BACKWARD; FOUNDATIONAL)	RQ3	USED IN SYNTHESIS FOR EMPLOYEE RELATIONS/VOICE/FAIRNESS
CHEN	2021	CONFUCIANISM, SUCCESSOR CHOICE, AND FIRM PERFORMANCE IN FAMILY FIRMS	CHINA; FAMILY FIRM	QUANTITATIVE EMPIRICAL STUDY	TRAINING/DEVELOPMENT/ SUCCESSION	RELATIONAL	N	KEYWORD (RETROSPECTIVE)	RQ1–RQ3	USED IN SYNTHESIS FOR TRAINING/DEVELOPMENT/SUCCESSION; HRM LOGIC CODE: RELATIONAL
CHEN	2004	GUANXI PRACTICES AND TRUST IN	CHINA	QUANTITATIVE EMPIRICAL STUDY	EMPLOYEE RELATIONS/VOICE/FAIRNESS	RELATIONAL	N	KEYWORD (RETROSPECTIVE)	RQ1–RQ3	USED IN SYNTHESIS FOR EMPLOYEE RELATIONS/VOICE/FAIRNES

		MANAGEMENT								S; HRM LOGIC CODE: RELATIONAL
CHEN	2009	NEGATIVE EXTERNALITIES OF CLOSE GUANXI WITHIN ORGANIZATIONS	CHINA	CONCEPTUAL/THEORETICAL ARTICLE	GENERAL HRM / GOVERNANCE	RELATIONAL	N	KEYWORD (RETROSPECTIVE)	RQ1	FOUNDATIONAL CONCEPT / CONTEXT LENS; HRM LOGIC CODE: RELATIONAL
CASPRINI	2024	UNTANGLING THE YARN	FAMILY FIRM (GENERAL)	BIBLIOMETRIC REVIEW + INTEGRATIVE CONCEPTUAL FRAMEWORK	GENERAL HRM / GOVERNANCE	UNCLEAR	N	KEYWORD (RETROSPECTIVE)	RQ1–RQ3	FOUNDATIONAL CONCEPT / CONTEXT LENS
ZHU	2019	THE EMERGENCE OF HUMAN RESOURCE MANAGEMENT IN CHINA	CHINA	BIBLIOMETRIC REVIEW / LITERATURE REVIEW	GENERAL HRM / GOVERNANCE	UNCLEAR	N	KEYWORD (RETROSPECTIVE)	RQ1–RQ3	FOUNDATIONAL CONCEPT / CONTEXT LENS
YAN	2006	THE EFFECT OF CONFUCIAN VALUES ON SUCCESSION IN FAMILY BUSINESS	FAMILY FIRM (GENERAL)	CONCEPTUAL ARTICLE (ABSTRACT-BASED CLASSIFICATION; VERIFY FULL TEXT IF POSSIBLE)	TRAINING/DEVELOPMENT/ SUCCESSION	RELATIONAL	N	KEYWORD (RETROSPECTIVE)	RQ1–RQ3	USED IN SYNTHESIS FOR TRAINING/DEVELOPMENT/SUCCESSION; HRM LOGIC CODE: RELATIONAL
LING-FUNG CHAU	2021	NO FAMILY COMPANY WITHOUT FAMILY	CHINA; FAMILY FIRM	CONCEPTUAL/THEORETICAL SOURCE	GENERAL HRM / GOVERNANCE	FORMAL	N	KEYWORD (RETROSPECTIVE)	RQ2	FOUNDATIONAL CONCEPT / CONTEXT LENS; HRM LOGIC CODE: FORMAL
MIROSHNYCHENKO	2020	FAMILY BUSINESS GROWTH AROUND THE WORLD	FAMILY FIRM (GENERAL)	BOOK / EDITED VOLUME SOURCE	GENERAL HRM / GOVERNANCE	UNCLEAR	N	KEYWORD (RETROSPECTIVE)	RQ1–RQ3	FOUNDATIONAL CONCEPT / CONTEXT LENS
FLAMINI	2021	FORTY YEARS OF RESEARCH ON HUMAN	FAMILY FIRM (GENERAL)	BIBLIOMETRIC REVIEW /	GENERAL HRM / GOVERNANCE	UNCLEAR	N	KEYWORD (RETROSPECTIVE)	RQ1–RQ3	FOUNDATIONAL CONCEPT / CONTEXT LENS

		RESOURCE MANAGEMENT IN FAMILY FIRMS		SCIENCE MAPPING REVIEW						
BURHAN	2020	ON THE HIRING OF KIN IN ORGANIZATIONS	GENERAL/OTHER CONTEXT	QUANTITATIVE EMPIRICAL STUDY	RECRUITMENT/SELECTION	RELATIONAL	N	KEYWORD (RETROSPECTIVE)	RQ3	USED IN SYNTHESIS FOR RECRUITMENT/SELECTION; HRM LOGIC CODE: RELATIONAL
MORRISON	2022	EMPLOYEE VOICE AND SILENCE: TAKING STOCK A DECADE LATER	GENERAL/OTHER CONTEXT	NARRATIVE REVIEW / CONCEPTUAL REVIEW	RECRUITMENT/SELECTION	RELATIONAL	N	KEYWORD (RETROSPECTIVE)	RQ3	USED IN SYNTHESIS FOR RECRUITMENT/SELECTION; HRM LOGIC CODE: RELATIONAL
MEYER	2014	THE CULTURE MAP	GENERAL/OTHER CONTEXT	BOOK (CROSS-CULTURAL FRAMEWORK; NON-EMPIRICAL)	RECRUITMENT/SELECTION	RELATIONAL	N	KEYWORD (RETROSPECTIVE)	RQ3	USED IN SYNTHESIS FOR RECRUITMENT/SELECTION; HRM LOGIC CODE: RELATIONAL
BEDI	2020	A META-ANALYTIC REVIEW OF PATERNALISTIC LEADERSHIP	GENERAL/OTHER CONTEXT	META-ANALYSIS	TRAINING/DEVELOPMENT/ SUCCESSION	RELATIONAL	N	KEYWORD (RETROSPECTIVE)	RQ1–RQ3	USED IN SYNTHESIS FOR TRAINING/DEVELOPMENT/SUCCESSION; HRM LOGIC CODE: RELATIONAL
JIN	2023	CONFUCIAN CULTURE AND EXECUTIVE COMPENSATION	CHINA	QUANTITATIVE EMPIRICAL STUDY	COMPENSATION/PROMOTION	RELATIONAL	N	KEYWORD (RETROSPECTIVE)	RQ1–RQ3	USED IN SYNTHESIS FOR COMPENSATION/PROMOTION; HRM LOGIC CODE: RELATIONAL
BERRONE	2012	SOCIOEMOTIONAL WEALTH IN FAMILY FIRMS	FAMILY FIRM (GENERAL)	CONCEPTUAL/THEORETICAL REVIEW ARTICLE	GENERAL HRM / GOVERNANCE	UNCLEAR	N	SNOWBALLING (BACKWARD; FOUNDATIONAL)	RQ1	FOUNDATIONAL CONCEPT / CONTEXT LENS

JENSEN	1976	THEORY OF THE FIRM: MANAGERIAL BEHAVIOR, AGENCY COSTS AND OWNERSHIP STRUCTURE	GENERAL/OTHER CONTEXT	CONCEPTUAL/THEORETICAL ARTICLE	GENERAL HRM / GOVERNANCE	FORMAL	N	SNOWBALLING (BACKWARD; FOUNDATIONAL)	RQ2	FOUNDATIONAL CONCEPT / CONTEXT LENS; HRM LOGIC CODE: FORMAL
DAVIS	1997	TOWARD A STEWARDSHIP THEORY OF MANAGEMENT	GENERAL/OTHER CONTEXT	CONCEPTUAL/THEORETICAL ARTICLE	GENERAL HRM / GOVERNANCE	UNCLEAR	N	SNOWBALLING (BACKWARD; FOUNDATIONAL)	RQ1	FOUNDATIONAL CONCEPT / CONTEXT LENS
ROSECKÁ	2023	FAMILY FIRM ENTREPRENEURIAL ORIENTATION	FAMILY FIRM (GENERAL)	LITERATURE REVIEW / CONCEPTUAL SYNTHESIS	GENERAL HRM / GOVERNANCE	FORMAL	N	KEYWORD (RETROSPECTIVE)	RQ2	FOUNDATIONAL CONCEPT / CONTEXT LENS; HRM LOGIC CODE: FORMAL
MENG	2024	POLITICAL EMBEDDEDNESS, SOCIOEMOTIONAL WEALTH, AND R&D INVESTMENT IN FAMILY FIRMS	CHINA; FAMILY FIRM	QUANTITATIVE EMPIRICAL STUDY	GENERAL HRM / GOVERNANCE	UNCLEAR	N	KEYWORD (RETROSPECTIVE)	RQ1	FOUNDATIONAL CONCEPT / CONTEXT LENS
ZHU	2025	TOWARD SUSTAINABILITY	CHINA; FAMILY FIRM	CONCEPTUAL ARTICLE / THEORETICAL FRAMEWORK PAPER	ESG/GREEN HRM	HYBRID	Y	KEYWORD (RETROSPECTIVE)	RQ1–RQ4	USED IN SYNTHESIS FOR ESG/GREEN HRM; USED FOR ESG/STRESS-TEST LOGIC; HRM LOGIC CODE: HYBRID
SCHOLES	2021	FAMILY MANAGEMENT AND FAMILY GUARDIANSHIP	FAMILY FIRM (GENERAL)	QUANTITATIVE EMPIRICAL STUDY	GENERAL HRM / GOVERNANCE	UNCLEAR	N	KEYWORD (RETROSPECTIVE)	RQ1–RQ3	FOUNDATIONAL CONCEPT / CONTEXT LENS

CHRISTEN SEN-SALEM	2021	FAMILY FIRMS ARE INDEED BETTER PLACES TO WORK THAN NON-FAMILY FIRMS! SOCIOEMOTIO	FAMILY FIRM (GENERAL)	QUANTITATIVE EMPIRICAL STUDY	GENERAL HRM / GOVERNANCE	UNCLEAR	N	KEYWORD (RETROSPEC TIVE)	RQ1	FOUNDATIONAL CONCEPT / CONTEXT LENS
MADISON	2018	FAMILY FIRM HUMAN RESOURCE PRACTICES	FAMILY FIRM (GENERAL)	QUANTITATIVE EMPIRICAL STUDY	GENERAL HRM / GOVERNANCE	FORMAL	N	KEYWORD (RETROSPEC TIVE)	RQ2	FOUNDATIONAL CONCEPT / CONTEXT LENS; HRM LOGIC CODE: FORMAL
SCHULZE	2001	AGENCY RELATIONSHI PS IN FAMILY FIRMS	FAMILY FIRM (GENERAL)	CONCEPTUAL/TH EORETICAL ARTICLE	GENERAL HRM / GOVERNANCE	FORMAL	N	KEYWORD (RETROSPEC TIVE)	RQ1–RQ2	FOUNDATIONAL CONCEPT / CONTEXT LENS; HRM LOGIC CODE: FORMAL
SWAB	2020	"SEW" WHAT DO WE KNOW AND WHERE DO WE GO?	FAMILY FIRM (GENERAL)	REVIEW ARTICLE (SEW LITERATURE REVIEW; NON-EMPIRICAL)	GENERAL HRM / GOVERNANCE	UNCLEAR	N	KEYWORD (RETROSPEC TIVE)	RQ1	FOUNDATIONAL CONCEPT / CONTEXT LENS
FEI	1992	FROM THE SOIL	CHINA	BOOK (CLASSIC SOCIOLOGICAL/T HEORETICAL SOURCE; NON-EMPIRICAL)	GENERAL HRM / GOVERNANCE	UNCLEAR	N	SNOWBALLI NG (BACKWARD ; FOUNDATIO NAL)	RQ1	FOUNDATIONAL CONCEPT / CONTEXT LENS
GERKEN	2022	VALIDATING THE FIBER SCALE TO MEASURE FAMILY FIRM HETEROGENE ITY – A REPLICATION	FAMILY FIRM (GENERAL)	QUANTITATIVE EMPIRICAL STUDY	GENERAL HRM / GOVERNANCE	UNCLEAR	N	KEYWORD (RETROSPEC TIVE)	RQ2	FOUNDATIONAL CONCEPT / CONTEXT LENS
REINA	2023	SOCIOEMOTIO NAL WEALTH IN FAMILY	FAMILY FIRM (GENERAL)	SYSTEMATIC LITERATURE REVIEW	GENERAL HRM / GOVERNANCE	UNCLEAR	N	KEYWORD (RETROSPEC TIVE)	RQ1	FOUNDATIONAL CONCEPT / CONTEXT LENS

		BUSINESS RESEARCH								
DAVILA	2023	SOCIOEMOTIONAL WEALTH AND FAMILY FIRM PERFORMANCE	FAMILY FIRM (GENERAL)	META-ANALYSIS	GENERAL HRM / GOVERNANCE	UNCLEAR	N	KEYWORD (RETROSPECTIVE)	RQ1	FOUNDATIONAL CONCEPT / CONTEXT LENS
VERBEKE	2012	THE TRANSACTION COST ECONOMICS THEORY OF THE FAMILY FIRM	FAMILY FIRM (GENERAL)	CONCEPTUAL/THEORETICAL ARTICLE	GENERAL HRM / GOVERNANCE	UNCLEAR	N	KEYWORD (RETROSPECTIVE)	RQ1–RQ3	FOUNDATIONAL CONCEPT / CONTEXT LENS
MADISON	2016	VIEWING FAMILY FIRM BEHAVIOR AND GOVERNANCE THROUGH THE LENS OF AGENCY AND STEWA	FAMILY FIRM (GENERAL)	CONCEPTUAL/THEORETICAL REVIEW ARTICLE	GENERAL HRM / GOVERNANCE	FORMAL	N	KEYWORD (RETROSPECTIVE)	RQ2	FOUNDATIONAL CONCEPT / CONTEXT LENS; HRM LOGIC CODE: FORMAL
MA	2023	CORPORATE SOCIAL RESPONSIBILITY REPORTING IN FAMILY FIRMS	CHINA; FAMILY FIRM	QUANTITATIVE EMPIRICAL STUDY	GENERAL HRM / GOVERNANCE	UNCLEAR	N	KEYWORD (RETROSPECTIVE)	RQ1–RQ3	FOUNDATIONAL CONCEPT / CONTEXT LENS
XIAN	2021	NEGOTIATING THE FEMALE SUCCESSOR–LEADER ROLE WITHIN FAMILY BUSINESS SUCCESSION I	CHINA; FAMILY FIRM	QUALITATIVE EMPIRICAL STUDY	TRAINING/DEVELOPMENT/ SUCCESSION	UNCLEAR	N	KEYWORD (RETROSPECTIVE)	RQ3	USED IN SYNTHESIS FOR TRAINING/DEVELOPMENT/SUCCESSION

LU	2021	THE EFFECTS OF FAMILY FIRM CEO TRADITIONALITY ON SUCCESSOR CHOICE	FAMILY FIRM (GENERAL)	QUANTITATIVE EMPIRICAL STUDY	TRAINING/DEVELOPMENT/ SUCCESSION	UNCLEAR	N	KEYWORD (RETROSPECTIVE)	RQ1–RQ3	USED IN SYNTHESIS FOR TRAINING/DEVELOPMENT/SUCCESSION
GUO	2024	HIERARCHICAL INCONSISTENCY AMONG FAMILY-MEMBER TOP LEADERS AND NONFAMILY EXECUTIVES' COMPENSATION LEVELS	CHINA; FAMILY FIRM	QUANTITATIVE EMPIRICAL STUDY	COMPENSATION/PROMOTION	UNCLEAR	N	KEYWORD (RETROSPECTIVE)	RQ3	USED IN SYNTHESIS FOR COMPENSATION/PROMOTION
ZHU	2022	A FAR-REACHING PARENTAL LOVE?	CHINA; FAMILY FIRM	QUANTITATIVE EMPIRICAL STUDY	TRAINING/DEVELOPMENT/ SUCCESSION	HYBRID	N	KEYWORD (RETROSPECTIVE)	RQ3	USED IN SYNTHESIS FOR TRAINING/DEVELOPMENT/SUCCESSION; HRM LOGIC CODE: HYBRID
SU	2023	HOW DOES GUANXI SHAPE ENTREPRENEURIAL BEHAVIOUR?	CHINA; FAMILY FIRM	QUALITATIVE CASE STUDY	GENERAL HRM / GOVERNANCE	RELATIONAL	N	KEYWORD (RETROSPECTIVE)	RQ1	FOUNDATIONAL CONCEPT / CONTEXT LENS; HRM LOGIC CODE: RELATIONAL
SHAHID	2025	INTEGRATING SUSTAINABLE DEVELOPMENT GOALS INTO HRM IN EMERGING MARKETS	CHINA	LITERATURE REVIEW / CONCEPTUAL INTEGRATION	TRAINING/DEVELOPMENT/ SUCCESSION	HYBRID	Y	KEYWORD (RETROSPECTIVE)	RQ3–RQ4	USED IN SYNTHESIS FOR TRAINING/DEVELOPMENT/SUCCESSION; USED FOR ESG/STRESS-TEST LOGIC; HRM LOGIC CODE: HYBRID
XU	2024	PERCEIVED HYBRID HUMAN RESOURCE	CHINA	QUANTITATIVE EMPIRICAL STUDY	EMPLOYEE RELATIONS/VOICE/FAIRNESS	HYBRID	N	KEYWORD (RETROSPECTIVE)	RQ3	USED IN SYNTHESIS FOR EMPLOYEE RELATIONS/VOICE/FAIRNESS; HRM LOGIC CODE: HYBRID

		MANAGEMENT AND EMPLOYEE VOICE BEHAVIOUR IN CHINA								
PIWOWAR-SULEJ	2021	CORE FUNCTIONS OF SUSTAINABLE HUMAN RESOURCE MANAGEMENT. A HYBRID LITERATURE REV	GENERAL/OTHER CONTEXT	HYBRID LITERATURE REVIEW	ESG/GREEN HRM	HYBRID	Y	KEYWORD (RETROSPECTIVE)	RQ4	USED IN SYNTHESIS FOR ESG/GREEN HRM; USED FOR ESG/STRESS-TEST LOGIC; HRM LOGIC CODE: HYBRID
SUN	2023	FAMILY OWNERSHIP AND CONTROL AS DRIVERS FOR ENVIRONMENTAL, SOCIAL, AND GOVERNANC	CHINA; FAMILY FIRM	QUANTITATIVE EMPIRICAL STUDY	ESG/GREEN HRM	HYBRID (SYSTEM INTEGRATION)	Y	KEYWORD (RETROSPECTIVE)	RQ4	USED IN SYNTHESIS FOR ESG/GREEN HRM; USED FOR ESG/STRESS-TEST LOGIC; HRM LOGIC CODE: HYBRID (SYSTEM INTEGRATION)
MIAH	2024	A SYSTEMATIC LITERATURE REVIEW ON GREEN HUMAN RESOURCE MANAGEMENT (GHRM)	GENERAL/OTHER CONTEXT	SYSTEMATIC LITERATURE REVIEW	ESG/GREEN HRM	HYBRID	Y	KEYWORD (RETROSPECTIVE)	RQ4	USED IN SYNTHESIS FOR ESG/GREEN HRM; USED FOR ESG/STRESS-TEST LOGIC; HRM LOGIC CODE: HYBRID
JABBOUR	2013	ENVIRONMENTAL TRAINING IN ORGANISATIONS	GENERAL/OTHER CONTEXT	NARRATIVE LITERATURE REVIEW	TRAINING/DEVELOPMENT/SUCCESSION	UNCLEAR	Y	KEYWORD (RETROSPECTIVE)	RQ3–RQ4	USED IN SYNTHESIS FOR TRAINING/DEVELOPMENT/SUCCESSION; USED FOR ESG/STRESS-TEST LOGIC

Appendix B

Search block	Example query string (Google Scholar)	Month/Year executed	Sorting & screening rule
Block 1 (China family-firm context)	("Chinese family firm" OR "family business China") AND (guanxi OR "informal institutions" OR Confucian* OR "paternalistic leadership" OR "clan culture")	Oct–Nov 2025 (updated Jan 2026)	Sorted by relevance; screened first 8–12 pages; then backward/forward snowballing around central papers
Block 2 (HRM formalisation & hybridity)	("family firm*" AND China) AND ("HRM formalization" OR professionalization OR "informal HRM" OR "hybrid HRM" OR "selective formalization") AND (recruitment OR succession OR compensation OR promotion OR "employee relations")	Nov–Dec 2025 (updated Jan 2026)	Sorted by relevance; screened first 8–12 pages; extended if new module-relevant themes emerged; then snowballing
Block 3 (Employee outcomes & ESG/green HRM)	("family firm*" AND China) AND (fairness OR "procedural justice" OR "employee voice" OR silence OR "psychological safety") AND (ESG OR "sustainable HRM" OR "green HRM" OR "environmental training")	Dec 2025–Jan 2026	Sorted by relevance; screened first 8–12 pages; priority to recent reviews/empirical studies for ESG & green HRM; then snowballing