Human Resource Management and Off Shoring - Knowledge Management and Liaison Roles of Host Country Nationals

Charles Vance, Torben Andersen and Vlad Vaiman

ABSTRACT

This paper broadens the conceptualization of MNC knowledge management to include the importance of active involvement in a liaison role by host country nationals (HCNs), particularly those working directly to with expatriates. Based on our field research and work experience in international settings as well as current research literature, we identify and consider several beneficial components of this liaison role in local knowledge management, including cultural interpreter, communication facilitator, information resource broker, talent developer, and change partner.

Keywords

Host Country Nationals, Liaison Role, Knowledge Management

I. INTRODUCTION

Knowledge management is increasingly recognized as a critical source of organizational success and viability. The overall ability to exploit external knowledge characterizes a firm's innovative capability, which in turn is critical for competitive viability [15]. This growing field of thought asserts that competitive advantage is to be gained by organizations that widely distribute knowledge and skills throughout their internal units and to *all* employees, rather than entrusting knowledge to only a relatively few leaders and subject matter experts, such as expatriates in the host country and other managers at MNC regional and parent country headquarters [17].

There has been a dramatic change in perceptions of the role of the expatriate in the international assignment as we increasingly become a global information economy where knowledge management is crucial [4]. A significant amount of theoretical and empirical research in MNC knowledge management renders the impression that the expatriate, in his or her traditional leadership role in a foreign operation on behalf of a multinational corporation, is the exclusive major global player, as if the contributions of the host country workforce were only of very minor consequence and not worthy of our careful consideration and study in the total picture of MNC knowledge management. However, we contend that MNCs and their assigned expatriates that neglect attention to the host country workforce as a critical source of local knowledge and information may greatly limit their knowledge management effectiveness. This assertion is consistent with a growing call for a refocus in research in international management on the needs and contributions of host country nationals (HCNs) in the success of MNC foreign operations [19].

The one or more HCN managers and other administrative professionals and support staff who report to and work with an expatriate typically are involved in two-way knowledge and information flow interactions between both the expatriate and the local host country environment (including internal HCN peer and lower-level HCN employees; and external local market factors such as legal and regulatory conditions and parties, competitors, vendors, customers, social norms and customs). This critical juncture involving frequent interactions appears to place these particularly influential HCNs in an important *liaison role* where they may have a unique and valuable contribution to effective knowledge transfer within the foreign operation. And with subsequent expatriate knowledge transfer beyond the local context, this HCN liaison role may ultimately have a significant impact on knowledge acquisition and decision-making throughout other foreign operations and at regional and global MNC headquarters [3]. The failure of multinational organizations to understand the nature and appreciate the potential contributions of this HCN local liaison role in effective overall knowledge management likely will lead to the lack of HCN staffing, development, and other human resource policies that are essential for sustaining this role. On the other hand, organizations that recognize and make appropriate human resource plans and investments to support this HCN local liaison role may achieve a decided competitive advantage.

The purpose of this paper is to broaden our conceptualization of MNC knowledge transfer to include the active involvement of HCN professionals in a key liaison role. We will identify and consider several beneficial components in a model of this HCN local liaison role between the host country environment and the host operation's expatriate managers. We then will consider implications of this HCN liaison role, and will propose areas for future field research to build upon our conceptual understanding and to help provide practical guidance in human resource policy and practice for strengthening this vital local HCN liaison role.

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II. Components of the HCN Local Liaison Role

Based on our research and work experience with MNCs in Asia, Europe, and North and South America, and our review of pertinent practitioner and research literature, we have identified five major components of the liaison role served by an HCN working closely with an expatriate that may contribute to improved MNC knowledge transfer and overall effectiveness of the foreign operation: cultural interpreter, communication facilitator, information resource broker, talent developer, and change partner. Each of these components of the local host country national liaison (HCNL) role serves as a bridge for relaying critical knowledge and information between the expatriate and local HCN employees as well as other factors in the host country environment. Although presented separately here, these components are clearly not mutually exclusive, but are interrelated and can significantly influence one another.

A) Cultural Interpreter

Managing cross-cultural differences represents an ongoing challenge for effective MNC knowledge management [13]. To help cope with these challenges, the HCNL can profitably serve as a cultural interpreter for clarifying communications, providing cultural guidance, and mediating conflict. On many occasions the HCNL may interpret for both HCN employees (including peer and lower-level) and expatriates any uncertain communication exchanges and events occurring within or outside the host country operation. Due to an expatriate's lack of significant work experience in the host country, and especially when the expatriate is not fluent in the local language, the HCNL's interpretation of puzzling information and messages in the local work environment, both verbal and non-verbal, can be extremely valuable. For example, Lily is one Chinese human resource (HR) manager in a Chinese subsidiary of a Danish company who translates Danish headquarter policies and programs into Chinese for local HCNs. At the same time Lily collects and filters local Chinese employee concerns and the broader surrounding environment demands, and communicates these to the local Danish expatriate who heads the PRC operation. Besides being ethnic Chinese, Lily also studied at a Canadian university, and now has the ability to understand both Western and Chinese values and common behaviors. With appropriate training in company strategy, operations, and culture, an HCNL such as Lily also is in a strong position to assist other HCN employees in understanding and making sense of organizational communication, MNC decisions, and events unfolding around and affecting them.

Beyond serving merely as an interpreter of language and other knowledge between expatriates and local employees, HCNLs also may serve as guides to help expatriates understand culturally-based activities and practices in the host-country operation. In addition, they may provide guidance to other HCNs in their acculturation to both MNC general organizational culture and parent country culture. For example, one American expatriate in Guadalajara, Mexico initially believed that his Mexican supervisors were being insubordinate in a planning meeting by not providing their direct work experience-based upward feedback on areas for improvement, until his Mexican assistant explained in private that these supervisors felt that such "criticism" would violate their need to show respect for the expatriate's leadership position. This Mexican assistant also in turn was very helpful in communicating to the local supervisors that such constructive input would actually demonstrate to the expatriate their honor and support for the expatriate in helping to achieve performance improvement goals.

The potential lack of common understanding on the parts of both expatriates and host country employees can often lead to frustration and conflict, resulting in a lack of trust and a spirit of collaboration that tends to severely restrict important knowledge transfer and information sharing [20]. To illustrate from our actual experience, a Chinese manager in the PRC was fired as a consequence of a major conflict with divisional managers located in Denmark. However, this Chinese manager had hired almost all of the local HCNs through his informal connections, and there now was a great risk that a large number of Chinese employees vital to the local operations would leave. However, another Chinese member of the local management team was able to meet with the local Chinese employees, resolve concerns, and retain a large majority of the HCNs. Thus, with their understanding of both parent company and host country employee perspectives, HCNLs may mediate between both parties to clarify perspectives and frames of reference, and manage inevitable conflict constructively.

B) Communication Manager

The HCNL may frequently deal with individual and institutional communications issues and needs among local employees, expatriates, and the external marketplace (e.g., local recruitment or regulatory agencies). Therefore, as part of effective knowledge transfer within the host country operation and surrounding external environment, the HCNL can make valuable contributions as a communication facilitator. The HCNL also can provide guidance and encouragement to other HCNs in contacting the expatriate directly about issues and concerns, thus promoting the exchange of information. Especially when the expatriate and the local workforce do not share a common language, the HCNL who also is fluent in the expatriate's language can serve as an invaluable mediator in receiving, translating, and passing on intended messages between the expatriate and the local employees. Or when local employees are for whatever reason hesitant to communicate directly with the expatriate, such as in the need to communicate bad news or upward negative feedback to the expatriate [18], the trusted HCNL may solicit and receive the information from HCNs and relay it on to the expatriate in an anonymous fashion. As a mediator the HCNL also can serve as a helpful information gate keeper for the expatriate in receiving messages from external sources, such as from a barrage of interested potential local vendors, and then selectively

determine what messages should be passed on to the expatriate for his/her direct attention and action.

The host country professional as a savvy liaison also has the ability to moderate information being transferred between the host country workforce and expatriate management. In terms of communication process, the HCNL may choose to influence the *timing* of message delivery and delay the transfer of information to the expatriate or to the host country workforce until they are best able to receive and process the information [2]. For example, with an expatriate's task-oriented request to a HCNL assistant to relay work-related information to local employees during their social celebration or even break time at work, the HCNL may choose not to interrupt the present social context but instead postpone the transfer of this information to a work time in which the employees would respond in a more productive manner.

In terms of communication content, the HCNL may choose to alter a message, while retaining its essential meaning, to ensure that it has an overall productive impact on recipients. For example, a Chinese HCNL was translating for a Western expatriate who was displeased with the local employee explanations for production delays. In frustration, the expatriate responded with, "You stupid Chinese are always making excuses, but you're just plain lazy!" The HCNL immediately recognized that an accurate translation of the expatriate's message would be very destructive to local workforce morale, and altered the translation in a way that could lead to a productive resolution of the difficulty. Following the meeting she also expressed privately to the expatriate her personal displeasure with his statement, saying that she also is Chinese, and that his choice of words was insulting to her and would have had dire consequences to the company if she had not decided to alter the translation. This unsolicited feedback from the HCNL also had developmental impact—it was appreciated by the expatriate who apologized for his careless expression of frustration.

C) Information Resource Broker

The HCNL represents a vital broker or agent of many forms of information for both HCN employees and the expatriate. The HCNL who is very familiar with surrounding local market conditions (including government regulations, local resources, customs, obstacles, and competitors) can greatly assist the expatriate in obtaining accurate information upon which sound business decisions can be based. This resource is the case particularly in countries where there are highly complex structures of intermediaries in the value chain, and especially in emerging economies where institutional arrangements are often less formal and transparent, and quite abstruse for non-local managers. As we noted in a visit to a Panasonic plant in Tijuana, Mexico, some MNCs are noted for rotating new senior expatriates in and out of a foreign operation approximately every three-to-five years. However, the HCN professionals who report to these revolving expatriates typically remain with the foreign operation in a similar position for a longer duration. Although it is hoped that preceding expatriates will pass on as much helpful information as possible to their successors, much valuable local experience-based knowledge inevitably is not transferred, especially more tacit knowledge that tends to be exchanged more informally in the course of ongoing daily interactions. The remaining HCNL therefore represents an important source of workplace continuity through organizational memory of knowledge and experience that can be passed on to new expatriates to take advantage of past learning [16].

Besides serving as a source of organizational memory, the HCNL can be a valuable source of informal organization knowledge that often is not formally encoded in official reports and other documents, such as information about what to avoid and how to get work efficiently accomplished [14]. A new expatriate would be wise to seek information early about local internal political dynamics, informal rules, and other aspects of the local organizational culture to avoid unnecessary conflict and clashes. Local organization culture change, reinforced by new policies and human resource management measures, might be necessary to dramatically improve a local operation's performance. However, it typically is far better for an expatriate, especially where immediate change is not called for, to adjust and fit into a pre-existing social system that is already functioning effectively rather than to waste valuable time and energy trying to change the system to fit the expatriate's preconceived notions. To illustrate, one German expatriate heading up a newly acquired manufacturing operation in South Carolina wisely consulted the existing American training manager at that operation for informal HCN employee "grapevine" information and feedback to gain a clear sense of internal climate and potential fit of new policies and procedures under consideration.

D) Talent Manager

The HCNL also can provide formal training and less formal on-the-job coaching to enhance knowledge, stimulate knowledge transfer, and effect productive skill development among expatriates and workforce members [19]. The on-the-job coaching provided by the HCNL through regular interaction with expatriates and lower-level HCNs alike can be particularly important for the transfer of tacit knowledge that is difficult to codify and impart by means of more formal training and information sharing efforts [11]. Besides training on specialized skills and local procedures, this developmental focus can include purposeful orientation and socialization effort for new HCN employees to ensure that they understand and commit to key common priorities and values of the host country operation.

Although training for new expatriates provided by the HCNL will likely be much less formal than for the new HCN employees, the acquisition of new understanding and insight for these recently arrived expatriates can nevertheless be significant and continue over time. For example [11] has described helpful knowledge sharing and coaching by

Vietnamese school administrators for Western expatriates with whom they worked in such areas as local procedures and working within a transition economy, which helped to avoid future difficulties and improve the expatriates' work performance. Besides the sharing of technical and job-related knowledge, the ongoing coaching support inherent in the HCNL-expatriate working relationship can serve as a helpful influence in the expatriate's positive psychological adjustment to the international assignment [8]. And in addition to on-site expatriate coaching [20] also describe how HCNL experience-based input and critical incident information can be particularly valuable for increasing the validity of pre-departure expatriate training.

Beyond knowledge sharing and skill development associated with training and coaching activities, the HCNL may develop an ongoing relationship of trust and credibility to assist individual employees as well as expatriates in promoting professional growth and career development opportunities. The HCNL as mentor can serve as a helpful adviser and provide a strong role model to younger, lower-level HCNs who are interested in future career development and advancement within the local MNC operation and beyond. In a form of reverse mentoring directed toward expatriates, HCNLs also can provide useful on-site guidance that has both immediate and longer-term positive career development impact [5]. Joyce Osland [12], a prominent scholar in international career development, shared with us examples of how HCNs had a mentoring influence by providing soft skill and etiquette advice to expatriates with technical, legal, accounting, and engineering backgrounds, and who had been overly focused in their international work on hard technical skills. This learning about the importance of soft skills in many international work situations remained with them after repatriation, and subsequently aided them in their career. In another case, a local HCN cultural mentor also taught an expatriate how to better balance his life, and this learning proved very beneficial in that expatriate's future career.

E) Internal Change Agent

Whenever any organization, including an MNC's foreign operation, determines to adopt anything from a broad new strategic direction to a specific new procedure, it faces the significant challenge of implementing change through its workforce. The HCNL can serve as a valuable change partner in providing knowledge and information to contribute to an effective change process. An expatriate may have a reasonable picture of an appropriate new direction or specific new performance goals for a foreign operation, but alone may be ill equipped to formulate specific implementation plans that fit the local context—including timing—and lead to desired change in the host country operation. Related to the earlier liaison component of information broker, host country nationals can potentially be a source of accurate local information to assist the expatriate in fine tuning plans for change to ensure effective implementation. Carlos Ghosn, now head of both Nissan and Renault, is convinced about the importance of obtaining input from host country nationals in guiding plans for local change. When he first arrived in Japan in 1999 to successfully rescue and turn around the ailing Nissan, he actively held meetings with Japanese middle managers who provided essential information to help guide his deep cost-cutting, production quality, and sales improvement efforts [10].

The HCNL also can perform as a change partner by helping overcome potential HCN workforce resistance. The HCNL may greatly decrease workforce resistance by providing accurate and clear information to local employees about the purpose and nature of the intended change, as well as how the employees would be affected. As frequent, open communications are critical for building employee trust and overcoming resistance to organizational change efforts, the HCNL can serve as a rich communication source, often far more credible than the foreign expatriate, to regularly keep employees informed before and during the change process. This resulting increased understanding and trust regarding the change can help the employees themselves contribute as informed, cooperative, and committed participants in the change effort, lending their experience-based ideas and suggestions as details are worked out in the process of change implementation [20].

Furthermore, the HCNL can promote readiness for change within the local work environment by assisting other HCNs in understanding and embracing common company cultural values and priorities. This increased common identity and purpose through company values alignment contributes to HCNs' ability to receive and share information that is vital to the success of a change effort [19][6]. In addition, this company cultural values alignment may help to minimize resistance and prepare employees to move in future directions of change in a more organized, predictable, and consistent way, still based on the same common core values and priorities [7][9].

III. Discussion

We believe that the influence of the HCNL can greatly augment the effective flow of knowledge within the host country operation and throughout the MNC. The multifaceted HCN liaison role that we consider here is a significant departure from the traditional notion of the MNC parent company expatriate as the sole liaison between MNC headquarters and the host country operation in asserting control on local operations by promoting desired knowledge transfer to the local workforce, monitoring local performance to ensure compliance, and returning back to the MNC new knowledge and insights gained in the foreign operation. We have begun to consider the potentially important HCN local liaison role that may contribute to the transfer of knowledge and know-how between the host country workforce and top management in the foreign operation. This flow of potentially beneficial information also can continue to MNC headquarters

and to other MNC international units, thus affecting and benefiting all MNC operations. We also believe that our multifaceted view of the HCN local liaison role may serve as a useful imperative for MNCs in guiding their future efforts in employee development and knowledge transfer—far beyond their traditional focus on the expatriate.

The HCNL role that we propose here is not intended to negate or detract from the traditional liaison role and influence potentially provided by an expatriate. On the contrary, these separate and differing liaison roles may work in concert to enhance overall knowledge transfer and management within the host country operation and throughout the MNC. The HCNL often has the advantage of close interaction with and credibility among HCN peers and lower-level employees, who likely will be more receptive to useful information and ideas that are presented by the HCNL. HCNLs might also be in a stronger position to transfer knowledge and information from upper management to the local workforce in a fashion that has a much more reliable and productive impact. On the other hand, the parent country expatriate in particular will likely be in a stronger position to share critical information from the host country operation to decision makers at the MNC headquarters, as well as to other expatriate internal MNC network colleagues at other host country units [1].

We believe that the proposed HCNL role has significant potential benefits for improving overall knowledge transfer within the MNC, as well as for enhancing MNC performance capability by more broadly building MNC human resource talent and common identity at foreign operations. As we have discussed, the HCNL role can potentially transfer helpful information more effectively to the lowest employee levels, as well as push employee socialization regarding MNC culture and strategic priorities to these lower levels. Thus, this HCNL role may help effect a greater understanding and commitment among the host country workforce to MNC goals and objectives, as well as build greater common MNC identification within the firm.

It should be emphasized, however, that the quality and effectiveness of the two-way flow of knowledge and information through the HCN local liaison are greatly dependent on the degree of trust and credibility held by the HCNL in the eyes of expatriates and local employees alike (Zhang, et al., 2008). As Japanese-fluent and culturally attuned Japanese-Americans often attest while working in Japan that they can never enter the inner circle and are always considered “gaijin” (foreigner), a person in a liaison position with the same cultural background, ethnicity, and language fluency will not necessarily have adequate trust to support a free flow of communication from local employees. And just as expatriates may over time be perceived by MNC headquarters as “going native” in their foreign assignment and losing touch with broader MNC objectives, the HCNL may be perceived by the local workforce as being disloyal to the local culture and lose important trust and credibility. When an HCNL becomes perceived by the local workforce as different and “one of them” of the MNC, he or she loses perceived commonality and similarity with the workforce, thus potentially reducing the degree of unrestrained flow of useful information. Thus, more work is needed to examine how the HCNL can effectively build trust while maintaining an image of fairness and optimal identification with both expatriates and HCN employees to promote unrestricted knowledge transfer.

IV. References

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Charles M. Vance is a professor of management and human resources at Loyola Marymount University in Los Angeles, where he has taught at executive, MBA, and undergraduate levels. He has had considerable experience in research, teaching, and consulting related to human resource management in North and South America, Asia, and Europe. In 2005 and 2006 Vance held U.S. Fulbright teaching and research appointments in Austria and China. He is the author of three books and numerous scholarly publications, and is on the editorial board of several journals.

Torben Andersen is Head of Department, Ph.D. at Department of Leadership and Corporate Strategy, University of Southern Denmark, Campus Slagelse. He has a long teaching experience from undergraduate studies to executive MBA programmes, and he has as associate professor been affiliated to Danish universities with two periods as a visiting professor - one at San Francisco State University and one at University of Auckland, New Zealand. Torben Andersen's research has been concentrating on structural and strategic aspects of HRM and International HRM. He is, together with professor Steen Hildebrandt at Aarhus University, the editor of the Danish HRM-handbook and the regional editor of the Northern Europe of European Journal of International Management. Torben Andersen has published articles in *Human Resource Management, Thunderbird International Business Review, Journal of Industrial Relations* and *Academy of Management Learning & Education*.

Vlad Vaiman is Professor of International Management and Academic Director of Graduate Programs at the School of Business of Reykjavik University in Iceland, and is a visiting professor at several top universities around the world. His research interests include issues of both organizational behaviour and international management, and more specifically, matters of cultural differences and their influences on leadership, motivation, and talent management in multinational companies. Dr. Vaiman has published two very successful books on managing talent in organizations. His work has also appeared in several top academic journals including *Academy of Management Learning & Education, Academy of Management Perspectives, Human Resource Management, Journal of Business Ethics*, and others. He is also a co-founder and an executive editor of the *European Journal of International Management* (EJIM), an ISI-indexed publication

Professor Charles M. Vance
Loyola Marymount University
1 LMU Drive, MS 8385
Los Angeles, CA 90045, USA
T: 1-310-338-4508
Email: cvance@lmu.edu

*Head of Department, Ph.D.Torben Andersen
University of Southern Denmark
Sdr. Stationsvej 28
DK-4200 Slagelse, Denmark
T: +45 6550 9109
Email: toa@sdu.dk

Professor Vlad Vaiman
Reykjavik University
Ofanleiti 2,
103 Reykjavík, Iceland
T: +354 599 6302
Email: vlad@ru.is