

## Chapter XII

# Improving Global Knowledge Management Through Inclusion of Host Country Workforce Input

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### **ABSTRACT**

*Within a framework of international strategy for multinational corporations, this chapter examines the important opportunities afforded by taking a more inclusive approach to the foreign subsidiary host country workforce (HCW). It argues that past international management writing and practice, with its expatriate bias, has neglected consideration of this important resource. Not only can the HCW help expatriate managers be more successful and have a better experience in the host country, but it can contribute to and benefit from the corporate knowledge base, leading to more effective global knowledge management. The authors discuss means by which a multinational corporation can effectively include the HCW in its knowledge management activities.*

## INTRODUCTION

The globalization of the workforce is one of the most significant trends affecting workers in the 21st century (Ivancevich, 1998). Yet there remains a major focus in both the scholarly and practitioner press primarily on the home country workforce—expatriates or parent country nationals from company headquarters—at the expense of other members of the multinational workforce within the global marketplace (Toh & DeNisi, 2003, 2005). With its continued predominant focus on the expatriate, current research in knowledge management and organizational learning on a global scale still reflects an ethnocentric bias (e.g., Paik & Choi, 2005; Bird, 2001; Wong, 2001; Antal, 2001; Bender & Fish, 2000; Downes & Thomas, 2000; Black & Gregersen, 1999). For example, Paik and Choi (2005) found that Accenture, one of the leading global management consulting firms, fell short of fully harnessing and transferring knowledge due to the lack of appreciation for local and regional knowledge. Such one-sided flow of knowledge from the multinational corporation (MNC) headquarters to overseas subsidiaries impedes the potential maximum utilization of knowledge across borders (Kraul, 2003; Bernstein, 2000; Bauman, 1998).

The objective of this chapter is to examine the practical limitations and vulnerabilities resulting from the overemphasis on expatriates and parent country nationals in efforts to achieve effective global knowledge management. Specific ways in which members of the host country workforce (HCW—including third country nationals serving in host country operations) can contribute to effective global knowledge management will be examined, along with strategic implications for MNC competitive advantage when a more inclusive approach to knowledge management and organizational learning is used.

## BACKGROUND

The strategic management literature in recent years has emphasized the “resource-based view” in which firms are characterized as collections of resources and capabilities (Barney, 1991; Peteraf, 1993). This approach recognizes the firm’s knowledge base as a major resource with significant potential for providing competitive advantage (Dierick & Cool, 1989). Following the resource-based view, many scholars recognize a company’s individual and organizational knowledge as a critical resource that constitutes a sustained competitive advantage (Nonaka, 1994; Nonaka & Takeuchi, 1995; Von Krogh et al., 2000). Offering a more dynamic perspective of the resource-based theory, Spender (1996) attempts to provide new insights into knowledge as the basis of a new theory of the firm. As firms are institutions for integrating knowledge (Grant, 1996), internationalization means a process of transferring a firm’s knowledge across borders. Internalization theory (Hymer, 1960; Buckley & Casson, 1976; Teece, 1981) further stresses the greater ability of MNCs to utilize their knowledge base. Dunning’s (1981) eclectic paradigm further suggests that knowledge as part of firm-specific advantage is a critical rationale for investment and international production. Kogut and Zander (1993) argue that MNCs are efficient specialists in transfer and recombination of knowledge across borders.

Specifically, Gupta and Govindarajan (1991, 2000) have studied knowledge flows in MNCs from an institutional level. Characterizing knowledge flows as similar to capital and product flows and examining flows of “know-how” rather than operational knowledge both to and from subsidiaries, they examine differences based upon subsidiary characteristics such as value of knowledge stock, motivations, richness of transmission chan-

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