

Knowledge transfer through foreign experts: The role of support for geocentric HRM at different hierarchy levels in the headquarters of Chinese firms

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Citation

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Purpose

With major goals of acquiring international strategic assets, including managerial and technical know-how, the human resource management (HRM) of Chinese multinational organizations (MNOs) now includes the hiring of foreign experts and executives (Brown, 2013). Such recruitment is nothing new for MNOs headquartered in advanced economies, which often pursue geocentric HRM and integrate staff from diverse national and ethno-socio-cultural backgrounds into their headquarter operations. However, while HRM practices of Chinese MNOs in locations abroad has been researched (see e.g. Cooke, 2014; Zhu, Zhu, & De Cieri, 2014), little is known about the integration of foreign employees in their headquarters.

Our study is important from both practical and theoretical perspectives. At a practical level, China's government supports the recruitment of foreign experts with subsidy payments and incentive schemes (SAFEA, 2016). The objective is knowledge transfer to Chinese firms including national laboratories, engineering research centers, and technology centers of state-accredited high-tech companies (XINHUA, 2015a, 2015b, 2016). Our study may assist policy makers and Chinese or other emerging market firms improve knowledge transfer and absorption. At the theoretical level, we contribute to emerging theory of the particular importance for knowledge transfer of foreign nationals brought into headquarters (Arp, 2013, 2014; Harzing, Pudelko, & Reiche, 2015), and firms' ability to implement transnational strategies (Farndale & Paauwe, 2007; Levy, Beechler, Taylor, & Boyacigiller, 2007). In addition, our study helps clarify whether the employment of individuals from diverse national and ethno-socio-cultural backgrounds in the headquarters of Chinese organizations represents geocentric HRM as conceptualized in the literature (Perlmutter, 1969).

Research design

Drawing on the knowledge-based view of the firm (Felin & Hesterly, 2007; Grant, 1996), and following Grant's (1996) emphasis on analyses of hierarchy and the distribution of decision-making authority, we examine knowledge transfer at the horizontal and vertical boundaries within firms. We interview foreign executives, foreign experts, junior foreign experts and their Chinese colleagues to gain triangulated, if not entirely dyadic, perspectives.

Findings

We find that the desired knowledge transfer is contingent on the integration of the foreign nationals and HRM approaches at different hierarchy levels. Our findings indicate that Chinese MNOs are challenged by geocentric HRM in their HQs, likely more so than in their foreign subsidiaries, where knowledge transfer may be adequately-but-not-perfectly facilitated by ethno- or polycentric approaches. Broadly, knowledge exchange between foreigners and their local colleagues in the headquarters of Chinese organizations does not work well. Notwithstanding exceptional ‘outlier’ cases of successful knowledge transfer, the integration of foreigners is hampered by (a) primarily ethnocentric or at best utilitarian polycentric HRM, (b) bureaucratic personnel administration rather than modern talent management of both local and foreign employees, and (c) poor communication both vertically across hierarchy levels and horizontally across department boundaries. In aggregate, this results in poor support for geocentric HRM.

Implications for theory

The extant literature links the adoption of geocentric HRM and the notion of an organizational ‘global mindset’ to transnational strategies (Farndale & Paauwe, 2007: 356; Levy et al., 2007), consistently describing this mindset as “transcending the nation-state model”, “standing above cultural particularism”, and “overcoming ingrained ethnocentrism and transcending nationally entrenched perceptions” (Levy et al., 2007). We therefore propose that the label ‘transnational’ would be more appropriate for this mindset. We further argue that the development of this mindset at the organizational level is contingent on the national level context, helping explain our findings in China.

Implications for practice

Our findings imply that geocentric HRM and a transnational mindset are currently rare in Chinese firms, and that ethnocentric or utilitarian polycentric HRM approaches dominate. The extant literature indicates that geocentric HRM is crucial to the development and execution of transnational strategies, as opposed to global standardization and local responsiveness strategies (Farndale & Paauwe, 2007: 356; Levy et al., 2007). Therefore, our findings also imply a limited ability of Chinese MNOs to implement transnational strategies, that is, to respond to foreign market particularities while maintaining global competitiveness.

Originality / Value

To the best of our knowledge, this is the first empirical study of knowledge transfer between foreign and local employees at different hierarchy levels in the headquarters of Chinese organizations.

Keywords

Geocentric HRM, transnational strategy, foreign expert, China, headquarters, mindset

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