

The role of host country nationals and their cultural background in shaping MNCs' competitiveness

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Introduction

The aim of this research to explore how employees in a host country and their culture affects MNCs value creation processes. Although there has been extensive research into firms' internationalization, much focus has been on how firms exploit their technological and knowledge-based advantages abroad, and little attention has been paid to the role of the host country employees and their culture in shaping MNCs' value creation processes in a distant cultural environment. It can be observed that a number of MNCs have performed superior abroad than in their home country and also their home country performance is somewhat linked to their gains in foreign country. This study argues that technological superiority and knowledge based competencies may not automatically give a MNC advantages in foreign market. To be able to successfully compete in foreign markets, MNCs need to recognise the value of new information, assimilate it and apply it to commercial ends (Sharkie, 2003). Building upon the work of Vance, Vaiman, and Andersen, (2009) , this study asserts the role of host country employees and their culture, and suggests that host country employees role is highly important in understanding how firms' overcome the challenges of internationalisation, 'liabilities of foreignness', in a foreign country and create value for their customers and the firm. Most international firms rely upon local workforce whose cultural values may not be similar to the employees in the home country of the firm, this would mean that international firms can be seen as a globally dispersed body of cultural entities. This also implies that local employees can help firms understand the unique requirements and circumstances of local customers, and create superior value to the customers. Thus, there is a need for deeper study of the role of host country employees and their culture on the value creation process in MNCs. This study contributes to this line of research by identifying different roles that local employees play and that effects the value creation process of firms in the host country. Based on case study conducted at three multinationals in India, and abductively analysed the material, this study argues that within a multinational firm different culture settings emerge and exists, that the firm leverages for creating value for the customers and consequently for the firm. And consequently this provides a sustainable advantage in the foreign market. In this view, the role of local employees become increasingly important in understanding the innovation process in MNCs.

Theoretical discussion

Over the last decade, a large body of theoretical and empirical research into international firms has emerged and shaped our view of how MNCs create value from foreign market knowledge (Almedia and Phene, 2004; Bartlett and Ghoshal, 1989; Hedlund, 1994; Zander, 1997). The central idea in the literature is that knowledge, technical, market, and functional knowledge, is continuously generated in all parts of MNC and is shared across the organization. In this networked view of an MNC, subsidiaries play an important role in terms of accessing, sharing, and creating knowledge and thus shaping the innovation process of the firm. Thus, subsidiaries can be seen to play important role in knowledge building process in the MNC. A key requirement for success of any MNC is their ability to satisfy customers' needs in a manner that gives them competitive advantage over its competitors. In this process the role of the local employees, particularly involved in production, marketing, sales and account management, becomes highly important. As they are the main sources of gathering market intelligence and sharing it with relevant entities in the organization. Their role can be also as the cultural interpreter, as they are basically managing the cross-cultural differences between the firm and the customers/suppliers (Vance et al. 2009, Paik & Choi, 2005).

Furthermore, they can mediate between the firm and the surrounding local market conditions, which can be basis for sound business decisions.

As MNC expatriates, who often come from the home country of the firm, lack cultural experience in the host country, especially when they are not fluent in the local language, and therefore not sufficiently equipped to interpret various types of information. They often try to interpret and understand from their home country cultural perspective. This means, the solutions they design are also mere reflections of their home culture based understandings. This can cause problems in solving problems or managing relationships. For instance, in case firms A, the emphasis is on providing high quality product for long-term uses by the clients. This approach is very popular in Europe and USA, but the environment conditions, and various challenges faced by Indian customers make it unsuitable for them. However, Indian customers do want long-term performance, yet they are not keen on spending on something that they think is non-repairable. Culturally, Indian people do believe in repairing broken things, be it personal relations or products. The interviewee illustrated it with citing low divorce rate in India. Other examples were, booming mobile phone repairing business in India, likewise, huge market for repairing of furniture, home appliances, these are not necessarily high value products. In case firm B, the marketing manager explained, how availability of different seasonal fruits, and associated cultural practices has shaping its products and business in India. This was possibly only because of the deep cultural understanding of the MNCs local employees, who could visualise the existing product of the firms and its potential uses for the local market. The above examples highlight the important role played by the local employees and their cultural background in developing innovative solutions for the local conditions. Thus, they are also playing the role of innovators.

Concluding remarks

To sum up, the above study extends the work of Vance et al (2009) and reveals that the local employees do play the role of interpreter, communication facilitator and broker, but they also play role of innovator in MNCs. Many product ideas do emerge from local employees, which are relevant for the local market conditions but also find uses in global market. Host country employees can be source of valuable ideas, that can be pursued locally or followed by further developments in other locations, where MNCs has such developmental facilities.

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