Whom to send where? International assignments and multinationals

In multinationals with subsidiaries scattered around the world, communication is key — and complex. So what's the best way to get firm knowledge flowing in the right directions?

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One of the greatest changes to global staffing practices over the past two decades has been the dramatic rise of international assignments as a means to transfer knowledge where it needs to go.

Sending a trusted manager from headquarters to a foreign subsidiary is the most common kind of international job assignments. These are your traditional "expatriates." Next to them, researchers have observed an even more significant surge in the number of "inpatriates" — i.e., managers who are local to the subsidiary site and have been sent to HQ. Mirroring the expat logic, these inpats are meant to help knowledge flow between multinational offices and HQ.

So, does it work? Research published in *Human Resource Management*, co-authored by Anne-Wil Harzing, Markus Pudelko and IESE's **B. Sebastian Reiche**, says yes and reveals quirks specific to certain international posts. The large-scale survey of more than 800 majority-owned subsidiaries across Asia, Europe and North America reveals both the benefits and the limitations of international assignments for managers as a means to better transfer knowledge within multinationals.

The role of the manager sent abroad

The international assignee arrives from another country, either to headquarters or to a subsidiary unit, with the goal of promoting knowledge transfer. But what does that mean on the ground?

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Staff members may transfer knowledge directly — by sharing information on HQ culture and management practices with their colleagues and relaying learning outcomes back to the home unit. Knowledge is often complex and tacit and requires direct personal contact to impart.

Employees may also transfer knowledge indirectly — by acting as bridges to link home and host-unit staff, developing social capital between units and acting as facilitators and connecters. The survey developed and updated by Harzing et al. captures both types of knowledge flows.

Where you come from and where you're going

Expats are old news. What's novel in the 2015 research is that inpats are almost as easy to find at a multinational. In fact, in this extensive survey, the co-authors find that for every 100 employees at a subsidiary, on average, 1.22 are expatriates from HQ and 1.16 are former inpatriates (i.e., back from an assignment at HQ).

Granted, different countries continue to approach staffing in different ways, the study reveals. Japanese multinationals, for example, are still more prone to post parent-company nationals to manage subsidiaries, as are Korean and Chinese companies. Meanwhile, multinationals based in Northern European countries are most likely to hire local managers or third-country nationals to manage their foreign offices, which has its advantages.

When expats are found in subsidiaries, they are likely to take the top spot (managing director). In fact, 33 percent of subsidiaries in the survey have expats on top. Meanwhile, local R&D and marketing departments are also relatively likely to be led by expats (weighing in at 18 and 16 percent, respectively). While conventional wisdom might suggest a local hire to best understand local market needs, tapping expats to direct the marketing department is still surprisingly common, the co-authors find. At the same time, expats head up fewer than 10 percent of manufacturing departments and 6 percent of human resources departments.

Knowledge flows

The research finds the presence of expats and former inpats in subsidiaries usually helps knowledge flows — but not always.

More specifically, the presence of an expat manager at a subsidiary helps knowledge transfer from HQ to that subsidiary in all functions studied except marketing. Benefits are especially visible when there's an expat heading a subsidiary's manufacturing department, where HQ's technical knowledge may help not only manufacturing, but HQ understanding in other units, too.

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Summing up detailed analyses presented for different cases, the co-authors conclude that expatriates are more effective transferring knowledge from HQ than doing the reverse. To achieve knowledge flows to HQ, it makes more sense to inpatriate local hires (i.e., send them from subsidiaries to HQ) and then send them back home again. It's an office shuffle that may make multinationals grow wiser on the whole.

Is knowledge transfer a challenge in your company? The first question to ask yourself might be which direction you need the knowledge to flow in. It could make all the difference as to which company employees pack their bags.

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