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# Host country nationals' interaction adjustment as a social exchange: A theoretical model

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## ABSTRACT

In this conceptual paper, we argue that host-country nationals (HCNs), without crossing geographical and organizational boundaries, experience distinct and complex interaction adjustment processes in response to their social exchange relationships with expatriates. We develop a theoretical model which suggests that the perceived value of the relationships between HCNs and expatriates, the structure of these relationships, and the HCNs' alternative sources of exchange resources predict HCNs' learning-rich interactions with expatriates and HCNs' extraneous stress, which, in turn, influence HCNs' interaction adjustment. Along with research implications, our theorizing points to features that can improve HCN and expatriate selection, preparation and management.

**Keywords:** host-country nationals; interaction adjustment; social exchange; expatriates; theoretical model

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## 1. Introduction

This article builds on the growing interest in host-country nationals (HCNs) in multinational enterprises (MNEs). It seeks to explain the adjustment they experience due to regular and sustained intercultural contact with expatriates. HCNs are locals from the host country/culture where the MNE operates; expatriates are MNE employees who live and work temporarily outside their home country. Our focus is on adjustment to intercultural *interactions* (e.g. Waxin, 2004) rather than acclimatization to a new country or work role (Black, 1988). HCNs do not geographically relocate, yet interacting with expatriates instigates “new forms of intercultural contact” (Ward et al., 2001, p. 43) that, we argue, can create disruptions that are akin to a form of ‘HCN interaction adjustment’ (from now on HCN adjustment). In doing so, we treat HCNs not as support players (Toh & DeNisi, 2007) but as targets – knowingly or otherwise – of adjustive pressures instigated and sustained by their interactions with expatriates.

Our theorizing draws on the logic and vocabulary of social exchange theory (SXT) and is confined to work and non-work variables that influence HCNs' interactions with expatriates in workplace settings. We aim to explain empirical studies that have documented intrapersonal changes among individuals who never leave their home country in a range of situations. These include MNE employees ‘taking on’ features of the organizational culture in which they work (Caprar, 2011), HCN call center workers adopting communicative behaviors and attitudes to suit foreign clients (Murphy, 2011; Pal & Buzzanell, 2008), and HCNs encountering stresses and frustrations from some of the “burdens, anxieties and opportunities” to learn (Fee, 2020, p. 50) in their interactions with expatriates. We respond to calls that advocate for greater attention to the experiences of HCNs as focal persons in research (Fee & Michailova, 2020) and to understand better the costs and benefits arising from HCNs' interactions more broadly (van Bakel, 2019). This has assumed prominence as the strategic importance of HCNs' interactions

to the success of expatriates and organizations has ramified in recent years (Kang & Shen, 2018; van Bakel, 2019).

Moreover, our theorizing is distinctive in conceiving intercultural adjustment as emanating from social exchanges (Homans, 1958) rather than physical displacement. Our use of SXT directs attention to “the emergent properties in interpersonal relations and social interaction” (Blau, 1964, p. 4) between HCNs and expatriates. From this, we contribute new insights to how the adjustment experience can be understood and the types of determinants that might influence its patterns, including how exchange partners are perceived and the formal and informal roles that structure the exchange relationships.

Our key arguments unfold in four sections. We start by defining HCN adjustment, explaining its distinct characteristics and arguing why it should be viewed differently from expatriates' adjustment. We then introduce a theoretical model of HCN adjustment, accompanied by a set of propositions that link the key variables constituting HCN adjustment and those influencing it. Finally, we discuss the proposed model and outline its implications for research and its relevance for practice. In doing so, we conceptualize both ‘interaction’ and ‘workplace’ to encompass all forms of intercultural communication between individuals in work environments. We thus acknowledge the potential application of our analysis to the experiences of HCNs in a variety of intercultural encounters in a range of situations, including technology-mediated interactions.

## **2. HCN Adjustment and Its Distinctive Features**

Our theorizing adopts a social constructivist perspective that recognizes culture as a social phenomenon that is shared and negotiated via interactions with others (Søderberg & Holden, 2002). This perspective rejects essentialist and static conceptions of culture as something that individuals ‘possess’ or ‘have’. Instead, it recognizes cultures as discursive constructions shaped and sustained by individuals participating in social exchanges. Cultural adjustment,

therefore, manifests as an intrapersonal response to social and communicative interactions with people from other cultures (Kim, 2001) rather than a 'cross-cultural' phenomenon that requires geographic thresholds to be traversed. We therefore focus on HCNs' intercultural interactions (Black, 1988) as the impetus for the psychological disequilibrium and anxiety at the center of the adjustment response (Torbiörn, 1994); for instance, recognizing one's assumptions are not shared during an intercultural interaction, or that one's typical style of communicating is eliciting unexpected responses. It is the accumulation of adjustive pressures arising from these interactions that activates a coping response that may trigger adjustment (Stahl & Caligiuri, 2005). That is, individuals may respond to adjustment pressure by directing actions externally; for instance, withdrawing from a relationship, overtly resisting perceived pressure to change, or seeking to change one's exchange partners rather than oneself. Alternatively, they may opt to direct their response internally through adjusting cognitive schemas (e.g., attitudes towards certain activities, awareness of or preference for certain types of knowledge, new patterns of interpretation) and/or behaviors (e.g., communication patterns, work approaches). Both kinds of responses incorporate "changes which the individual actively engenders or passively accepts" to maintain or achieve a state of psychological comfort (Torbiörn, 1982, p. 55). Consistent with this view, we define HCN interaction adjustment as *internally-directed cognitive and/or behavioral changes experienced by HCNs due to repeated interactions that result from their social exchanges with expatriates, and that lead to familiarity and psychological comfort in those interactions.*

HCN adjustment will most commonly be evident by HCNs taking on some of the cognitive and/or behavioral patterns of expatriates as their exchange partners. It may include accommodating expatriates' communication patterns and styles, mimicking their workplace practices, or assuming a different perspective toward their own work. These changes may be conscious or subconscious, welcome or unwelcome, expected or unexpected. Like expatriate

adjustment, the internal changes that make up HCNs' adjustment may arise as a learned response (Black & Mendenhall, 1991) or as a coping mechanism to adjustment pressures and thus experienced as a 'cost' necessitated to sustain or manage intercultural relations (Kim, 2001).

Three features of HCNs' intercultural encounters make their adjustment distinct. First, HCNs experience a *less wide-ranging and more focused form of disruption* than most expatriates. Expatriates are displaced from their 'home' professional and social networks and environment, cutting their access to important emotional support, disrupting non-work patterns (food, lifestyle, climate, etc.) and activating homesickness that, in combination, add to their psychological burden (Hippler et al., 2014). HCNs, on the other hand, retain home-culture social networks and living arrangements (Rogler, 1994), and in most cases the basic features of the organizational environment and job. The HCNs' sociocultural environment remains largely unchanged. So the stress and learning triggers that are central to cultural adjustment are restricted to a relatively narrow range of direct and/or vicarious intercultural interactions. Such an environment, while limiting the breadth and/or variety of models from which to learn, minimizes the accumulated extraneous cultural stresses – that is, work-related or other stresses that are not associated with the HCNs' interaction with the expatriate – and so positions HCNs to better direct their cognitive and emotional energies toward adjustment.

Second, for some HCNs, the most salient intercultural interactions may be restricted to work contexts where structural boundaries limit the variety of interactions (e.g., by preferencing particular types of information) or the breadth of learning that is possible (e.g., by dictating the range of modeled behaviors from which to learn or opportunities to reproduce these). This differs from expatriates' experiences, which allow myriad work and non-work intercultural exchange opportunities with a broader range of HCN role models and exchange partners in non-work settings (Froese et al., 2012; Malek et al., 2015). Notably, the nature and extent of HCNs'

adjustment will be more directly related to their interactions with a small number of individuals, and primarily in specific and controlled settings. In these circumstances, the quality of the intercultural relationship with particular individuals and the organizational structures that frame these relationships are, we posit, central to the breadth, depth and processes of adjustment experienced by HCNs.

Related to this, we suggest that HCN adjustment has a *stronger discretionary component* than expatriate adjustment. Intercultural interactions with people possessing different cultural norms, values, and/or language can be cognitively taxing and difficult to sustain (Aichhorn & Puck, 2017; Carraher et al., 2008). For reasons outlined above, the comparatively limited breadth and frequency of adjustment triggers for HCNs suggest that HCNs may find it easier than expatriates to cope psychologically and professionally by retaining home-country cognitive scripts and behaviors. HCNs may therefore be more inclined to change the external environment (e.g., avoiding intercultural encounters rather than adjusting behavior) rather than instigate more cognitively-depleting internal changes. Because of this, salient frameworks might explain why HCNs in intercultural relationships are motivated to engage in internally-directed coping responses, in the form of learning or behavioral adjustment, rather than externally-directed coping responses. These foundations lead us to consider SXT as a basis for understanding HCNs' interaction adjustment, as evident in the theoretical model that follows.

### **3. HCN Adjustment as Social Exchange**

#### **3.1 Overview of the model**

Applying SXT (Homans, 1958) to the distinct characteristics of HCNs' adjustment allows us to theorize about adjustment in a novel way, namely as a response to an exchange relationship between two persons; in our case, between an HCN and an expatriate. The theory posits that individuals enter into reciprocal (usually dyadic) relationships of supporting and learning from

others based on both sides receiving an outcome of value. SXT emphasizes the interdependence that develops between actors emerging from the benefits each derives from the tangible and/or intangible resources that are exchanged through positive initiating actions and reciprocating response (Cropanzano et al., 2017). An exchange relationship remains constructive to the extent that the contributions made and benefits received (i.e. initiating actions and reciprocating responses) continue to benefit both partners, thus creating mutual dependence in the relationship. In general, balance actions aimed at restoring equilibrium in the exchange can be either internally directed (e.g., behavioral or psychological change) or externally directed (via, for instance, demanding greater contributions from the partners or withdrawing from the relationship) (Homans, 1958). Viewing HCN-expatriate interactions in this way, we propose a model of HCN adjustment depicted graphically in Figure 1. The model explains why HCNs adjust, under what circumstances, and predictors of and conditions for HCN adjustment.

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Insert Figure 1 about here  
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HCN adjustment is represented by the box at the right of Figure 1. It represents HCNs' cognitive and/or behavioral changes resulting from their exchange relationship with expatriates. These adjustments – to their cognitive patterns (e.g. accommodating or taking on expatriates' assumptions or attitudes) and/or behaviors (e.g. communicating, performing tasks) – represent positive contributions to the exchange relationship, either as a) initiating actions triggered by a desire to learn and develop or in anticipation of benefits derived from the exchange relationship, or b) responses intended to reciprocate a perceived positive contribution from the expatriate (i.e. as an investment for a future resource of value). In both cases, the contributions of actively propagating or passively accepting personal change (Torbiörn, 1982) are intended to maintain equilibrium, in effect contributing surpluses and deficits to the exchange relationship. For instance, unwelcome or unexpected pressure placed on HCNs to adjust behaviors (e.g., requests



to communicate in a style that exceeds their cognitive or emotional capacity) may be viewed as a negative initiating action. In contrast, adjustment pressures that are perceived as favorable (e.g., opportunities to communicate in a foreign language that the HCN views as potentially developmental) are more likely to elicit positive reciprocal contributions. In either case, HCN adjustment as internally-directed change represents a positive contribution by the HCN to the exchange relationship. From this starting point, we detail the model by formulating propositions that crystalize the relationships between the constructs and variables at play.

### **3.2 HCN adjustment as a result of their learning-rich interactions with expatriates and low extraneous stress**

To explain the mechanisms underlying the activation of HCN adjustment (center of Figure 1), we focus on the nature of HCNs' intercultural social exchanges. Consistent with our conception of adjustment as an internally-directed response to these exchanges, we combine two overarching theories of (expatriate) adjustment – the *social learning* approach and the *stress and coping* approach – that jointly draw attention to the learning richness inherent in intercultural interactions.

The *social learning* perspective of adjustment (Black & Mendenhall, 1991) emphasizes learning appropriate culture-specific skills (Bochner, 1982) from pertinent 'models' in one's social orbit (Bandura, 1986). It focuses on "processes of participation and interaction" (Gherardi et al., 1998, p. 277) and foregrounds how adjusting individuals are able to attend to, internalize, retain and reproduce (culturally-appropriate) schemas and behaviors precipitated by intercultural interactions. Studies in this literature stream accentuate both the quantity and quality of the intercultural relationships (Bhaskar-Shrinivas et al., 2005; Ward & Kennedy, 1999). Closer, more trusting, and more supportive relationships (Liu & Shaffer, 2005) and more frequent and widespread contact (Froese et al., 2012; Johnson et al., 2003) are seen as especially

conducive to adjusting, in part because they attune HCNs' attentional processes, including "prevalence" and "distinctiveness" of modelled events, and create more opportunities for feedback that aid retention and motivational processes associated with learning (Bandura, 1977, p. 23). From a social learning perspective, HCNs' access to intercultural interactions under the right conditions (i.e. trusting exchange relationships with regular contact and opportunities for feedback) will provide the best opportunities for learning unfamiliar attitudes or behaviors (Bandura, 1986), and so are more likely to foster internally-directed (learning) adjustment responses. These conditions are consistent with those highlighted by SXT as strengthening emotional bonds (Blau, 1964; Gouldner, 1960) and institutionalizing reciprocity expectations (Bianco, 1994; Cropanzano et al., 2017) that, together, foster the interdependence central to sustaining the relationship (Kollock, 1994; Lawler et al., 2000). In short, interaction conditions that most strongly nurture positive exchange relationships are similar to those likely to foster HCN adjustment.

The second theoretical perspective through which adjustment is viewed focuses on the stresses arising from sustained intercultural interactions, which can add to a person's psychological burden to the point where it may exceed their existing cognitive, behavioral and emotional resources (Kim, 1988; Ward et al., 2001). Because of this, adjustment is more likely and more effective when excessive extraneous stresses are minimized so that energies can be harnessed towards the challenges of internalizing the necessary cognitive and/or behavioral adjustments. In contrast, excessive stress, uncertainty or frictions imposed on individuals within an exchange relationship can create cognitive depletion that diminishes their ability to contribute to the relationship through positive initiating actions and reciprocating responses (Lazarus & Folkman, 1984). Thus, while some internal dissonance can motivate the instigation of an exchange relationship (Blau, 1964) and the readiness to adjust (Lazarus & Folkman, 1984), exchange relationships involving intercultural interactions that minimize extraneous

stress are likely to be more conducive to HCNs' willingness and ability to contribute to the relationship by adjusting behaviorally and psychologically. This is especially pertinent for intercultural interactions, which tend to elevate stress and deplete cognitive functioning (Gudykunst, 2005; Volk et al., 2014). We note that learning and stress are inter-related – it is the stress accompanying the realization of the need to change which activates the recognition and drive for an adjustment (learning) response; at the same time, excessive extraneous stress can inhibit one's capacity to learn. For this reason, we define those interactions conducive to HCNs instigating internally-directed adjustment as having both 'learning-rich intercultural interaction' and 'low extraneous stress' (center of Figure 1).

The above considerations establish the conditions for expatriate-HCN exchange relationships that appear most likely to support HCNs' interaction adjustment – namely, 'learning-rich' intercultural encounters characterized by high levels of trust, regular interaction, and opportunities for HCNs to observe, utilize and receive feedback on unfamiliar behaviors, and interactions underpinned by minimal extraneous stresses. In such conditions, we propose that HCNs are more likely to rebalance inequity in the exchange relationship through instigating HCN adjustment as a positive reciprocal contribution rather than by externally-directed actions (e.g., withdrawal, conflict). Thus, we commence our theorizing with the overarching

***Proposition 1A:*** HCNs' interaction adjustment is more likely to occur when their exchange relationships with expatriates are characterized by high levels of learning-rich interactions.

***Proposition 1B:*** HCNs' interaction adjustment is more likely to occur when their exchange relationships with expatriates are characterized by low levels of extraneous stress.

### **3.3 Illustrative predictors of HCN adjustment**

The left part of Figure 1 articulates predictors contributing to conditions conducive to HCNs' adjustment. We identify expository variables that illustrate the theoretically distinct adjustment pressures that HCNs are likely to experience, rather than canvassing a full suite of variables

influencing HCN adjustment, including many that are likely indistinct from expatriate adjustment factors (Bhaskar-Shrinivas et al., 2005). These predictors are chosen – and are grouped in the following discussion – to demonstrate how each of the three features of social exchanges that define the interdependence of the relationship (Molm, 1997) are especially salient to HCNs' adjustment patterns. These features are: the perceived value of resources being exchanged (propositions 2A-C), the structure of the exchange relationship that defines the processes through which resources are exchanged (propositions 3A-D) and the alternative sources of work and non-work exchange resources outside the HCN-expatriate dyadic relationship (propositions 4A-B).

### ***3.3.1 Perceived value of exchanged resources***

According to SXT, exchange contributions perceived as more positive generate stronger commitment (Cropanzano et al., 2017) and increase reciprocity obligations within the relationship (Gouldner, 1960). Consequently, HCNs' willingness to adjust when working with expatriates is likely to be strongest when they perceive benefits will accrue if they adjust to facilitate these interactions (Cropanzano et al., 2017). Put another way, HCNs are more willing to bear the costs of their own psychological and behavioral adjustment when more valuable outcomes (i.e. rewards) are expected (Homans, 1958). These expectations take on heightened importance for HCNs because, as argued earlier, their adjustment has a stronger discretionary element than expatriates' adjustment. To illustrate this, we consider three features which, we posit, predict the value that HCNs place on their relationship with expatriates – the perceived value of expatriates' expertise, HCNs' support for expatriates' adjustment, and the perceived status of expatriates' social group.

*a. Perceived value of expatriates' expertise.* Expatriates often possess expertise in the form of knowledge, skills, and experiences unavailable or insufficient in subsidiaries (Edström & Galbraith, 1977). In these circumstances, establishing exchange relationships with

expatriates can offer HCNs opportunities to learn and develop professionally and personally through exposure to technical, organizational and/or cultural knowledge and practices (Michailova et al., 2016; Vance & Paik, 2005).

Access to expatriates' expertise, imbued in the HCNs' perceptions of the value of the expatriates' knowledge, skills and experiences, represents a benefit that can encourage HCNs' willingness to interact with expatriates and strengthen their commitment to the relationship (Lawler et al., 2000; van Bakel et al., 2015). Interactions exposing HCNs to valued expertise also trigger attentional and motivational processes that facilitate social learning (Bandura, 1986) and increase the likelihood of modeled behavior being adopted if it results in valued outcomes (Bandura, 1977). Research on employees exposed to organizational newcomers (Feldman, 1994) and mentors (McCauley & Young, 1993) highlights how perceptions about the expertise of the newcomer/mentor can foster a propensity for accepting their practices and/or ideas. Similar responses have been found in HCNs working closely with highly-skilled expatriates, with HCNs exhibiting a willingness to adapt their communicative behaviors and work practices in order to learn in ways that "echo aspects of the behavioral adjustments of expatriates" (Fee & Gray, 2020, p. 21).

***Proposition 2A:*** HCNs who perceive expatriates with whom they interact possess valuable expertise will experience higher levels of learning-rich intercultural interactions and consequently will be more likely to undergo interaction adjustment than HCNs who perceive expatriates' expertise to be of less value.

*b. HCNs' support for expatriates' adjustment.* HCNs are often tasked with assisting expatriates in their adjustment to the local culture through the provision of information (e.g., country-specific knowledge, organizational and cultural context) and/or emotional support to help expatriates understand or cope with the challenges of their own adjustment (Mahajan & Toh, 2014; Toh & DeNisi, 2007). On balance, we propose that supporting expatriates' adjustment will have a dampening effect on HCNs' own adjustment by reducing the value of

exchange resources available from the expatriate, and thus limiting the extent of learning-rich interactions in which HCNs engage.

There are two reasons for this. First, the process of supporting an expatriate is likely to increase opportunities for interpersonal exchange because of the expatriates' dependence on the value of HCN contributions. Nonetheless, in contrast to proposition 2A, in general, the learning-richness inherent in such interactions *for the HCN* is low. In these exchange transactions, the initiating actions instigated by expatriates (adjusting towards HCNs' existing schemas and norms) are likely to limit HCNs' opportunities to learn and may, in fact, instigate reciprocity pressure to retain existing (home culture) norms and perspectives in parallel with expatriates' adjustment.

Second, the provision of information and logistic support (Varma et al., 2016) draws primarily on HCNs' use and understanding of home-culture norms and knowledge (e.g., explaining local customs, helping expatriates navigate social relationships involving other HCNs) and so reinforces existing cognitive and/or behavioral scripts. As a result, HCNs' opportunities to observe, enact and/or receive feedback on new behaviors will be limited and their learning impeded. Indeed, HCNs' position as local "experts" places a relatively bigger burden on expatriates, not HCNs, to adjust as a means of sustaining the interdependence within such an exchange relationship.

These features may conspire to impede HCNs' opportunities and ability to learn from the exchange relationship and to effectively configure and initiate internally-directed adjustment responses.

**Proposition 2B:** HCNs involved in supporting expatriates' adjustment will experience lower levels of learning-rich intercultural interactions and consequently will be less likely to undergo interaction adjustment than HCNs who are not involved in supporting expatriates' adjustment.

*c. Perceived status of expatriates' social group.* Although individuals tend to prefer exchange relationships with members of their in-group (Pichler et al., 2012; Tajfel & Turner,

1986), members of high status out-groups may be exceptions (Bettencourt et al., 2001). That is, individuals are more willing to develop positive exchange relationships with others who are members of a group with perceived higher status (Hogg & Terry, 2000). In this exchange, expatriates' status represents a resource from which HCNs can benefit indirectly through the value it provides in other exchange networks. Put in social exchange terms, HCNs' relations with high-status expatriates imbue in them a resource that carries valence in their exchanges with others. Such benefits arise indirectly because the reward received by the HCNs' association with the high-status exchange partner is realized in other exchange networks where HCNs perceive value in the "rubbing off" of this status (Thibaut & Kelley, 1959, p. 49). Thus, a status discrepancy between an HCN and an expatriate can "accentuate the perceived value" of resources (Thye, 2000, p. 407) being exchanged with the expatriate and motivate HCNs to reciprocate these by reinforcing their commitment to sustaining and contributing to their relationship with the (high-status) expatriate.

We theorize that the likelihood of such exchange relationships is strengthened by the high levels of prestige that are often associated with expatriate cadres (Bonache et al., 2016) and the limited scope of intercultural exchange relationships that HCNs have relative to expatriates. In other words, HCNs' dependence on high-status expatriate exchange partners increases because limited alternative sources of this valued resource exist; indeed, their scarcity is likely to enhance the perceived value and so increase HCNs' motivation to adjust as a means of rebalancing HCNs' perceived inequity in the relationship (Blau, 1964).

Research shows that low-status group members are more willing to adapt than members of high-status groups (Metiu, 2006) and that HCNs will seek to affiliate themselves with and treat more favorably high-status expatriates (Toh & DeNisi, 2007). In doing so, both attention to and retention of modeled behaviors are strengthened; consequently, learning is more likely to occur (Bandura, 1986). In evaluating expatriates' status, a range of material and symbolic

status markers may become salient to HCNs. These include, for example, expatriates' profession, gender, nationality or position as a privileged global worker (Lee & Fiske, 2006). The position within the organization matters too – expatriates deployed from the head office possess a cache of social capital that likely elevates their perceived status in subsidiaries (Moeller et al., 2016) and so provides stronger incentives for HCNs to adjust.

***Proposition 2C:*** HCNs who perceive that expatriates with whom they interact represent a high-status group will experience higher levels of learning-rich intercultural interactions and consequently will be more likely to undergo interaction adjustment than HCNs who perceive that these expatriates do not represent a high-status group.

### ***3.3.2 Structure of the HCN-expatriate exchange relationship***

Central to SXT is the analysis of power associated with the level of dependence of actors in the relationship (Emerson, 1962), making it an attribute of relations, not individuals (Molm, 1997). Power inequalities in exchange relationships are reflected in different levels of dependence – one partner's ability to exert power over another increases the less powerful person's dependence. Theoretically, less powerful members of the exchange relationship are imbued with stronger instrumental and psychological incentives to adjust their attitudes and behaviors to sustain a positive exchange relationship in order to continue benefitting from the resources available from the more powerful partner.

In organizational settings, formal work roles provide structured frameworks that dictate, in part, the nature of interpersonal interactions, including behavioral scripts and the types of resources that individuals may covet from their exchange networks. These templates create expectations that guide individuals' behaviors and that can offset some of the stresses associated with role ambiguity that can arise in less structured settings. The presence and nature of these structural arrangements are especially pertinent to HCNs' adjustment because of the limited breadth of opportunities they have for interactions (i.e. confined to exchanges with a relatively small number of expatriates in relatively controlled settings). This means that HCNs'



encounters with expatriates are more likely to be framed by formally structured exchanges with inherent dependencies created by these structures rather than unstructured and/or variable roles that punctuate the myriad intercultural opportunities of expatriates in a new culture. Therefore, across the adjustment period, we expect these structures to exert a strong influence on the exchange relationships that HCNs develop with expatriates, and consequently, on the features shaping their interactions and adjustment. We illustrate this by focusing on four structural forms relating to expatriates' assignment configurations and the policies supporting them.

*a. Power inequality between HCNs and expatriates.* In social exchange terms, power differences are a form of structural imposition that influences the patterns of relations by imposing dependence inequality (Emerson, 1962). That is, they render the more powerful actors' contributions more valuable and afford them the potential to impose higher costs on less powerful exchange partners. As a result, despite the infrequent use of coercive power in social exchanges (Molm, 1997), less powerful members are more dependent upon the exchange partner and so more likely to initiate exchanges that benefit their (more powerful) partner (Molm, 1997). For instance, people in less powerful positions tend to adjust what and how they communicate to approximate higher-power people, often sub-consciously (Gnisci, 2005; Muir et al., 2016). Although such adjustments may not necessarily invoke HCNs' motivation to learn modeled behaviors (Bandura, 1986), external incentives, including an expectation of instrumental rewards or punishment (both current and future), can directly increase the expectations on and raise the psychological benefit of, HCNs contributing to the exchange relationship. This takes place by conforming to the more powerful expatriate; thus, such incentives limit the potential for stress emanating from friction and negative exchange behavior (e.g., withdrawal). In MNEs, such power may reflect formal and structural hierarchies (e.g., head office-subsidary representation) that provide expatriates with privileged access to knowledge, resources and/or networks (Hong & Snell, 2008).

Inequality between expatriates and HCNs has been discussed in a range of contexts in expatriate research (Liu & Shaffer, 2005; Maley et al., 2015), typically because expatriates often take on roles placing them in positions of seniority over HCNs (Michailova et al., 2016). In such circumstances, the ability to evaluate performance or impose rewards or sanctions allows expatriates, consciously or otherwise, to dictate the nature of norms and knowledge recognized as valuable (Hong & Snell, 2008). For instance, empirical research has linked formal power imbalances to HCNs' willingness to accept expatriates' contributions (Liu & Shaffer, 2005) and which knowledge is preferenced and transferred (Maley et al., 2015). Even when expatriates choose to adapt their style when managing HCNs, both sides often end up adjusting (Tsai et al., 2019). Accordingly, HCNs who perceive lower standing levels report greater pressure to acculturate to a (foreign) MNE (Lee et al., 2019). Thus, while we acknowledge that interacting with superiors with higher levels of formal power may create anxieties for some, on balance we advance

***Proposition 3A:*** HCNs interacting with expatriates who are able to assert power over them will experience higher levels of learning-rich intercultural interactions and consequently will be more likely to undergo interaction adjustment than HCNs interacting with expatriates who are not able to assert power over them.

*b. Expatriates' organizational development roles.* One prominent use of expatriates within MNEs is to improve subsidiaries by developing HCNs' expertise and skills (Edström & Galbraith, 1977; Harzing, 2001). These organizational development roles are intended to boost performance by changing HCNs' behaviors (Riusala & Suutari, 2004; Vance & Paik, 2005). While such roles can take various forms, that of a "coach" for HCNs (Petison & Johri, 2008) – encouraging HCNs' learning both formally (e.g., training activities) and informally (e.g., modelling behaviors) – is a prominent one. Similar behaviors have been proposed as akin to pollinating a new organizational culture (Harzing, 2001). Empirical studies show that expatriate managers with these organizational development objectives are less likely to assimilate to the

local culture (Maley et al., 2015) and more likely to trigger personal changes in HCNs, resulting from the types of behaviors that the expatriates enact (Shay & Baack, 2006).

From a social exchange perspective, expatriates imposing or enacting culturally-inappropriate practices can create resentment that inhibits constructive relationships (Khan et al., 2010). On the other hand, it is reasonable to expect HCNs to respond to expatriates' organizational development efforts by initiating adjustment responses, including stronger motivation to benefit from the developmental features of expatriates' initiating actions (Blau, 1964), and/or the desire to reciprocate these activities, which represent positive initiating contributions to the relationships (Maurer et al., 2002). This is likely to be especially acute when HCNs associate valued consequences from their adaptation of expatriates' attitudes and behaviors, such as organizational or personal benefits (Fee & Michailova, 2020). At these times, HCNs' dependence on expatriates increases, providing motivation to both initiate further interactions and to internalize adjustment as a contribution to the relationship (Blau, 1964).

Moreover, expatriates with such developmental roles may, themselves, be motivated to participate more regularly in high-quality interactions conducive to HCNs' learning (Heizmann et al., 2018). That is, expatriates' commitment to their role will make them more willing to instigate interactions that facilitate HCNs' attentional processes (Bandura, 1977), such as reinforcing modeled behavior, providing feedback, or creating conditions conducive to HCNs' adjustment-oriented responses. The latter may include facilitating opportunities to enact learned behaviors (Black & Mendenhall, 1991) or mitigating situations that elicit negative emotions or conflict (Yoo et al., 2006). We expect these relationships to provide ample opportunities to learn from repeated modeled behaviors and the implicit authority within the relationship to imitate these (Bandura, 1977). This structure may be a critical enabler of HCNs' learning because of the potential for them to receive inconsistent cues that stem from the contradictory pressures on their adjustment arising from their interactions with expatriates and with other

HCNs. Concordant with these findings, we propose that working with expatriates who perform subsidiary development roles creates expectations that can foster HCNs' adjustment.

**Proposition 3B:** HCNs who work with expatriates undertaking organizational developmental roles will experience higher levels of learning-rich interactions and consequently will be more likely to undergo interaction adjustment than HCNs who work with expatriates without such roles.

*c. The duration of HCNs' relationship with expatriates.* Within exchange relationships, commitment toward and cooperation with exchange partners depends to a large extent on the potential of future rewards. Positive initiating actions and reciprocating responses are thus seen as investments within and across transactions (Blau, 1964), attuned to anticipated rather than immediate consequences and blanketed by the "shadow of the future" (Axelrod, 1984, p. 124). In this regard, the duration of expatriates' assignment becomes pertinent for understanding HCNs' adjustment patterns. On the whole, we expect HCNs' willingness to devote energies to interaction adjustment – as a positive contribution to the exchange relationship – to be related to the anticipated duration of their relationship with the expatriate. In particular, a longer-term expatriate assignment will provide HCNs with greater anticipation of benefits and so, consciously or subconsciously, greater willingness to invest in adapting behaviorally and psychologically to their interactions with the expatriate. Similar anticipation of an ongoing exchange relationship might exist for some short-term expatriate assignments that offer the promise of opportunities for enduring contact (e.g. expatriates on periodic 'business traveler' assignments which allow repeated rich interactions). The relationship duration takes on prominence for HCNs because their adjustment is relatively more discretionary than expatriates' and because of the prevalence of a 'revolving door' of expatriate assignees that some HCNs encounter (Fee & Michailova, 2020), and the challenges of maintaining quality exchange relationships when not co-located.

**Proposition 3C:** The duration of the exchange relationship between HCNs and expatriates will predict HCN interaction adjustment such that HCNs able to sustain

long-term exchange relationships with expatriates will experience higher levels of learning-rich interactions and consequently will be more likely to undergo interaction adjustment than HCNs working with expatriates on short-term or travel-oriented assignments.

*d. MNEs' expatriate management practices.* Expatriates often receive preferential remuneration and/or career development opportunities over their HCN counterparts (Chen et al., 2002; Li & Kleiner, 2001; Toh & DeNisi, 2003). Studies show that HCNs are sensitive to such structural inequalities and that this sensitivity can increase as the shared dependencies inherent in social exchanges with expatriates grow, leading to feelings of resentment and injustice (Mahajan, 2011; Toh & DeNisi, 2003).

Behavioral responses to such practices and the associated sentiments are complex. However, overall, there are strong theoretical reasons for arguing that such perceptions – whether accurate or not – are likely to activate stress responses and lead HCNs to engage in negative initiating actions. Examples include avoiding contact with expatriates (Mahajan, 2011; Toh & DeNisi, 2003), withholding information from them (Michailova & Husted, 2003), or being less receptive to potential learning cues emanating from HCNs' interactions with expatriates (Toh & DeNisi, 2005). Such behaviors limit the opportunities to learn (and consequently adjust) and impede the quality of the exchange relationship. On the other hand, HCNs in exchange relationships where expatriates' remuneration is perceived as fair (e.g., host country aligned international pay) and HCNs' career opportunities not impeded, are likely to encounter lower stress levels (Proost et al., 2015) and are more likely to engage in productive initiating actions that support constructive exchange relationships.

***Proposition 3D:*** HCNs working with expatriates in MNEs that deploy expatriate management practices HCNs perceive as fair will experience higher levels of learning-rich interactions and consequently will be more likely to undergo interaction adjustment than those working with expatriates in MNEs where HCNs perceive these practices as unfair.

### ***3.3.3 HCNs' alternative work and non-work sources of exchange resources***

Our theorizing so far has focused on HCN-expatriate dyads, yet these relationships do not exist in isolation. Individuals participate in multiple simultaneous networks of relationships (Emerson, 1976), each of which serves as a potential source of exchange resources that may supplant, complement or hinder HCNs' exchange relationships with expatriates. In social exchange terms, access to alternative sources of a valued resource can diminish dependence on a partner and disrupt the equilibrium in an exchange relationship (Molm, 1997).

In addition to directly reciprocal (dyadic) exchange relationships, people may enter into generalized exchange relationships with groups, where contributions are exchanged collectively and indirectly rather than transactionally (Yoshikawa et al., 2018). In these cases, a positive contribution received from one group member may be reciprocated towards others in the group rather than returned directly to the individual (Baker & Bulkley, 2014). Thus, all members can benefit from and make indirect contributions toward others in the group, with less straightforward reciprocity paths. Although participation in these generalized exchange processes can consume time and resources, they can also create communities that provide opportunities for participants to benefit from complementary resources that can enhance, rather than diminish, their exchanges in other relationships (Molm, 1997). That is, valued resources nurtured among networks of exchanges with others can help participants develop knowledge, understanding and/or motivations applied to other exchange relationships.

For HCNs, we posit that their generalized exchange relationships outside the HCN-expatriate dyad have the potential to be sources of complementary resources that facilitate their adjustment in their exchanges with expatriates. We consider two potential sources of complementary resources that are distinctive to HCNs' adjustment experiences: the extent to which their organizational environment supports learning and the extent to which non-work relationships – in particular, with family members – provide support for their adjustment. We outline why HCNs' adjustment may be affected uniquely in each case.

*a. Learning-supportive organizational environments.* Intra-organizational interactions are influenced by their prevailing social structures. While these are complex in dimensions and form, we posit that HCNs' generalized exchange relationships within MNEs will be especially conducive to their adjustment in an organizational environment that supports individual and organizational learning (Watkins & Marsick, 1993). Such environments are characterized by opportunities for employees to collaborate, share, discuss and collectively make sense of learning opportunities as well as enact learned attitudes and practices (Yang et al., 2004). Environments supportive of learning are of particular interest to MNEs which are in unique positions to benefit from novel ideas and ways of working introduced by their expatriate employees (Chang et al., 2012). We expect they are also of particular relevance to HCNs because a relatively larger proportion of their intercultural interactions is confined within the organization's boundaries.

In learning-supportive organizations, we argue, HCNs' generalized exchange relationships with co-workers outside the expatriate dyad can provide important sensemaking mechanisms, solidarity, information and encouragement for their adjustment (Adler & Kwon, 2002). That is, an environment that encourages learning offers opportunities for HCNs to garner resources from co-workers that help them adjust to their expatriate-directed exchanges and strengthen their contributions to these exchanges. It can also motivate HCNs' adjustment because of the "anticipation of reinforcement" (Bandura, 1977, p. 36) as HCNs' cognitive and/or behavioral changes are recognized and appreciated within the group as a positive exchange contribution. Therefore, these generalized exchange processes allow HCNs to draw resources from their peers that support and motivate their adjustment and contribute to the collective (as well as the dyad) through their adjustment outcomes. Among HCN researchers, Vance and colleagues (Vance et al., 2014; Vance et al., 2009) have been most explicit in emphasizing the individual and collective learning that can emerge when HCNs work closely

with expatriates in “two-way knowledge and information flow interactions”, with these HCNs serving as “liaisons” between expatriates and other HCN staff (Vance et al., 2009, pp., p. 650). Their research draws attention to the contributions these HCNs make to both the HCN workforce and the expatriate (Vance et al., 2009) and to the types of conditions that can support their individual and collective learning (Vance & Paik, 2005). Building on this, subsequent studies (Fee, 2020; Fee & Gray, 2020) have shown how HCNs draw on support from fellow HCNs to manage their interactions with expatriates and the substantial learning that arises from the need to “adjust practices [...] as a direct result” of these (Fee, 2020, p. 40; Fee & Gray, 2020; Fee & Michailova, 2020). HCNs’ networks of relationships with co-workers may not necessarily increase the frequency of their contact with expatriates – indeed, in some circumstances, these relationships may usurp HCNs’ dependence on expatriates. Nonetheless, a learning-supportive organizational environment creates conditions conducive to HCNs retrieving important complementary resources to assist the process of internalizing cognitive changes and reproducing (learned) behaviors arising from their exchanges with expatriates (Bandura, 1977); such as opportunities to observe, collaborate and discuss new practices and ideas (Fee & Gray, 2020).

In contrast to their relationships with expatriates, generalized exchange relationships that support HCNs’ adjustment may be most productive when they comprise other HCNs because strong in-group identification may assist productive exchanges (Willer et al., 2012) and because the types of resources on offer (solidarity, support, sensemaking) complement rather than replicate those offered with the expatriate (Fee & Michailova, 2020; Molm, 1997).

***Proposition 4A:*** HCNs in learning-supportive organizations will experience lower levels of extraneous stress and consequently will be more likely to undergo interaction adjustment than HCNs in organizations with environments that are less supportive of learning.

*b. Non-work environments that support HCN adjustment.* Building on our arguments so far, we propose that certain family conditions may be more conducive to HCNs’ adjustment by



buffering some of the stresses and commitments inherent in HCNs' exchange relationships with expatriates. Expatriate studies show that emotional support from expatriating family members can ease expatriates' adjustment stresses (Van der Bank & Rothmann, 2006). One reason for this is that the family with whom the expatriate interacts regularly is typically experiencing similar adjustment challenges, making the family aware of the stresses being invoked in the expatriate as a result of their own intercultural exchange relationships (Takeuchi et al., 2002). Therefore, the family has a relatively accurate understanding of the demands placed on the expatriate and can provide direct, empathetic support and understanding within their intercultural encounters (Westman, 2001). Such an interdependence underpins positive relationships (Thibaut & Kelley, 1959). Thus, while the adjustment challenges the family faces may increase extraneous stresses, their shared adjustment experience can strengthen the commitment to the exchange relationship (Kollock, 1994). Indeed, family members can offer critical resources (empathy, information) to undergird expatriates' adjustment challenges.

HCNs' adjustment, in contrast, is more isolated in the sense that it is limited to specific work relationships that are typically not replicated at home. Rather than widespread and generally consistent triggers of learning and stress that expatriates (and their families) confront when relocating to a new cultural environment, HCNs may face competing psychological pressures to adapt cognitively and/or behaviorally in response to their interactions with expatriate/s in work settings, on the one hand, and, on the other, retain existing cultural scripts to conform with others with whom they associate outside work. Unlike expatriate families experiencing adjustment stresses similar to expatriates (Caligiuri et al., 1999; Waxin, 2004), HCNs' families may lack the awareness or experiences to provide HCNs with emotional or informational support that mitigates these pressures (Andreason, 2008; Malek et al., 2015). Consequently, for HCNs the psychological comfort that adjustment affords is likely more sporadic and linked to specific exchange relationships. Without adequate non-work support,

this requires them to reconcile potentially competing behavioral cues and expectations of their intra- and intercultural exchange relationships. This, we argue, has the potential to create behavior-related pressures arising from 'behavioral discrepancy', or the need to enact distinct behavioral and cognitive patterns in different settings (Ford et al., 2007) – one when interacting with expatriates, and one when interacting with family.

Conversely, families with the 'adjustment empathy' (Farh et al., 2010) to support HCNs' relationships with expatriates via, for instance, past similar experiences of their own (Farh et al., 2010), are better equipped to provide the emotional support that can minimize extraneous stresses which derail HCNs' adjustment.

***Proposition 4B:*** HCNs who receive higher levels of adjustment support from their family will experience lower levels of extraneous stress and consequently will be more likely to undergo interaction adjustment than those who receive lower levels of adjustment support.

## 4. Implications

### 4.1 Research implications

This article has aimed to turn the spotlight away from expatriates' adjustment onto HCNs who interact with expatriates. It introduces the concept of 'HCN interaction adjustment' and, using SXT as a lens, develops a theoretical model to establish and explain relationships among select variables that constitute and influence HCN adjustment. The model explains adjustment as a logical and coherent response by HCNs to the demands of an exchange relationship with expatriates.

In doing this, we offer fresh insights into the dynamics of adjustment that have been largely overlooked to date. For instance, viewing adjustment as (a series of) intercultural exchange relationships rather than physical relocation emphasizes interactive activities – initiating and reciprocating behaviors that sustain or erode exchange relationships – as important drivers or inhibitors of the adjustment process. While the features of HCN adjustment make SXT especially potent for understanding their experiences, this theoretical perspective

opens new ways to view the adjustment pressures that *all* individuals encounter. This may go some way toward addressing and explaining inconsistencies and contradictory findings in the adjustment literature (Hippler et al., 2018). By way of example, our theorizing draws attention to how the nature of particular exchange relationships (e.g., propositions 1-3) can be propellants or inhibitors of the behaviors that shape adjustment. It also offers explanations for differing findings regarding the influence of HCN-expatriate relationship on (expatriates') adjustment that, to date, are yet to be considered (Bruning et al., 2012; Liu & Shaffer, 2005).

Building on this, we argue that highlighting the theoretical micro processes of intercultural exchange in this way may also go some way towards allaying criticisms that have been raised about the simplicity of existing cultural adjustment frameworks and their lack of recognition of the complexity of the adjustment experience (Hippler et al., 2018). For instance, our theorizing suggests that new insights may come from examining the specific characteristics of exchange partner/s who are salient determinants of an individual's adjustment, like their (relative) expertise (proposition 2A) or perceived status (proposition 2C) and the structural features defining the exchange relationship, such as power differences and/or assignment features (e.g., proposition 3A-D). Such theorizing draws attention to the adjusting individual's social or professional 'fit' with prominent exchange partners as an important determinant of their adjustment trajectory, rather than – or as well as – their 'fit' with the overall physical or social environment (Shaffer et al., 1999). This perspective is consistent with calls to acknowledge the importance of different domains within which adjustment transpires (Haslberger et al., 2014) and with suggestions that adjusting to some aspects of a new culture (e.g., macro/micro) may be more difficult than others (Hippler et al., 2018). Our model, therefore, helps to progress the evolution of adjustment away from being viewed as assimilation to a static and essentialist macro-level milieu to one emerging from individuals' participation in a multiplicity of rich intercultural interactions, each taking place within a particular context

and each shaping an individual's adjustment patterns in different ways. From this perspective, the collective configuration of an individual's web of intercultural social relationships at the micro-level may be used to develop a more nuanced understanding of the adjustment forces and outcomes experienced by all adjusting individuals, expatriates and HCNs alike.

The model also contributes to understanding social exchange relationships by positing HCN adjustment as sociocultural and psychological side-effects that emerge from exchange interactions. Our theorizing suggests that these by-products, which may be unconscious, unanticipated and/or unwelcome outcomes, can influence the adjusting individual's wellbeing, performance and, of course, the exchange relationship itself. Yet while scholars have recommended more attention to a variety of exchange features, research to date has tended to focus on the nature and consequences of conscious (and usually positive) initiating actions and reciprocating responses (Cropanzano et al., 2017) and the counterproductive or prosocial behaviors that arise as a consequence of how these actions are perceived, evaluated and/or reciprocated (Cohen-Charash & Mueller, 2007). The exchange processes remain under-studied (Cropanzano & Mitchell, 2005), especially those underpinning intercultural exchanges. Our model of intrapersonal adjustment patterns within exchange partners presents opportunities to examine a variety of previously invisible psychological and sociocultural outcomes of social exchange. These may include the antecedents, outcomes and/or prevalence of certain behaviors enacted by expatriates or HCNs, including externally-directed coping responses (Fee, 2020).

While the patterns, mechanisms and outcomes of expatriate adjustment are well documented, this is not the case for HCNs. Future studies exploring HCNs' adjustment experiences in their own words and through their own sensemaking processes via inductive narrative studies (Siljanen & Lämsä, 2009) are likely to unearth features of the exchange relationship especially salient to HCN adjustment and that can provide expansion or refinement of our model. This is important as current instruments measuring expatriate cultural adjustment

assume geographic relocation (Black & Stephens, 1989; Hippler et al., 2018) and include variables (e.g., housing, food, local facilities) that are unsuitable markers of HCN adjustment. The model and the associated propositions we propose offer a starting point for developing instruments to measure adjustment that may be more geographically agnostic by focusing on, for instance, HCNs' perceived dependence in the relationship, or for developing tools that may predict adjustment propensity based on participants' attitudes and/or the relationship's structures and prevailing organizational environment. We note that MNEs can provide HCNs with a variety of vicarious and virtual – as well as direct – intercultural encounters for which we would expect similar patterns of adjustment predictors, conditions and outcomes, albeit mitigated by the richness of the exchange medium and the challenges of curating learning-rich interactions in some realms (Heizmann et al., 2018).

Initially, researchers are likely to be interested in HCNs' adjustment outcomes – most obviously, how it might influence work performance and/or their professional and personal development. However, a better understanding of the process through which these changes occur is likely a necessary precursor to distinguishing positive *and* negative outcomes of HCN adjustment. We see potential in examining the likely trade-off between the costs and benefits of adjustment to HCNs' various intercultural relationships or how adjustment trajectories of HCNs differ from those of expatriates. As one example, our theorizing posits that HCNs' adjustment introduces psychological pressures arising from the need to reconcile the potentially competing behavioral cues and expectations of their different intra- and intercultural interactions (proposition 4B). This episodic form of adjustment may both necessitate and nurture a distinctive set of abilities, such as unique forms of cognitive and/or behavioral flexibility, not apparent in expatriate adjustment outcomes.

While we confine our theorizing to un(der)-studied HCNs, our use of SXT and the theoretical model we derive from this suggest that understanding HCN adjustment requires an

emphasis on the exchange *relationship* (Emerson, 1976) – in this case, HCNs-expatriates dyads. This is a rarely studied topic (van Bakel, 2019). Although researching operational dyads is not without its challenges (e.g., response bias due to self-censorship), this would offer valuable insights into the mutuality of adjustment as it unfolds in two directions. The first would be comparing adjustment patterns of different types of (HCN-expatriate) dyads; the second relates to comparing different types of expatriates (e.g., self-initiated and organization-assigned) based on the conditions that underpin their intercultural relationships. Investigations revealing the dynamic processes involved in intercultural exchange relationships (Heizmann et al., 2018) may serve as guideposts for similar studies focusing on adjustment patterns.

The temporal and non-linear dimensions inherent in adjustment and exchange relationships mean that panel studies tracking HCNs and/or expatriate-HCN dyads across important stages of adjustment – for sojourners, believed to be twelve months (Ward et al., 2001) – may be particularly insightful (Takeuchi, 2010). The complexity of the proposed HCN adjustment patterns (e.g., competing tensions between work and non-work adjustment) suggests different adjustment paths for expatriates and HCNs. Periodic interviews and/or guided journal entries from matched dyads may be viable data collection methods that allow simultaneously changes in both to be examined.

#### **4.2 Implications for practice**

Understanding the nature of HCN adjustment is, we argue, of interest to organizations that deploy and host expatriates, as well as HCNs and expatriates themselves. Our theorizing is of particular interest to organizations that use expatriates primarily as “bumblebees” to disseminate (i.e., “pollinate”) among subsidiaries the cultural values and behavioral standards from the head office (Harzing, 2001). In these situations, viewing the pollination process as a series of social exchanges between key actors would help understand how these organizational change efforts may transpire (proposition 3B) and, potentially, be disseminated throughout the

MNE (proposition 4A). More broadly, it allows multinationals to acknowledge and better support HCNs' (and expatriates') adjustment and thereby contribute to more meaningful and effective exchange relationships. For instance, it may be that HCNs' adjustment, and therefore performance, can be facilitated if organizations can replicate in cost-effective ways some of the support mechanisms that are currently 'reserved' for expatriates. At a minimum, our model suggests that efforts to curate HCN-expatriate dyads so that HCNs are favorably disposed towards the expatriates' expertise (proposition 2A), social group (proposition 2B), or role (proposition 3B) may support HCNs' adjustment. It also emphasizes the potential benefits of support for HCNs' adjustment from colleagues (proposition 4A) and family (proposition 4B), although in different ways and for different reasons than support provided to expatriates. Likewise, while there are risks in negotiating more explicit rules for exchange interactions (Molm, 2003), ensuring expatriates and other stakeholders recognize the full gamut of HCN contributions to a dyad may elicit more favorable reciprocal responses and thus contribute to positive exchange relationships.

The question of whether organizations should facilitate or shield HCNs' adjustment is pertinent. Organizations sometimes choose to configure expatriates' living and work arrangements to screen some expatriates from the strains of adjustment (Glasze, 2006). Similarly, organizations not wanting (particular or all) local staff to adjust may consider ways to 'protect' them from potential adjustment pressures by constituting the types of social exchanges to which they are exposed, especially in situations where expatriate staff may be less receptive to HCNs' efforts to adjust (Cho et al., 2018).

Intriguingly, our theorizing also hints at ways that organizations might ensure patterns of adjustment across all staff (HCNs and expatriates) are productive rather than counter-productive. A simple example of this is framing how HCNs perceive the process of their own adjustment. From a social exchange perspective, individuals who anticipate and perceive a

more positive relationships are more likely to reciprocate (Homans, 1958). In HCN-expatriate relationships, such contributions by HCNs might include providing information and/or emotional resources to support expatriates' adjustment. Given the wealth of empirical research showing the positive outcomes of such actions (Toh & DeNisi, 2007), HCNs who view their own adjustment favorably – for instance, as a process of personal and career development rather than a disruptive cost borne on behalf of the organization – can be expected to contribute to expatriates' wellbeing, adjustment and performance. Accordingly, while overly prescriptive or negotiated exchange relationships may dampen the authentic voluntary interdependence that is at the heart of productive exchange (Molm et al., 2000), MNEs might benefit from more careful selection and preparation of HCN staff involved in intensive intercultural interactions with expatriates.

## **5. Conclusion**

Adjustment has been, is, and will remain a critical determinant of the success of MNEs' global staffing strategies and operations. For a long time, the belief has been that it is mainly the people who relocate physically and who are immersed in a new all-encompassing cultural environment that experience adjustment pressures. This expatriate-centric view has largely excluded HCNs. We establish the somewhat counterintuitive argument that the sociocultural landscape and distinctive exchange relationships experienced by HCNs, while often hidden, are just as complex as those faced by expatriates – HCNs are exposed to a more focused form of disruption, their adjustment has a stronger discretionary component and it may be prone to greater disequilibrium in exchange relationships outside of the HCN-expatriate dyad. These features, together, lead to adjustment patterns worthy of closer attention and further investigation. Better recognition and understanding and future examination of what we may call the 'HCN adjustment hypothesis' should go some way toward ensuring that HCNs are no longer the forgotten people in the MNE when it comes to adjustment processes and challenges.





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**FIGURE 1**  
A Model of HCN Interaction Adjustment

