



Contents lists available at ScienceDirect

International Business Review

journal homepage: www.elsevier.com/locate/ibusrev



Absorptive capacity in foreign subsidiaries: The effects of language-sensitive recruitment, language training, and interunit knowledge transfer

Vesa Peltokorpi

Saitama University, 255 Shimo-okubo, Sakura-ku, Saitama-city, Saitama 338-8570, Japan

ARTICLE INFO

Article history:

Received 27 July 2015

Received in revised form 18 February 2016

Accepted 16 May 2016

Available online xxx

Keywords:

Absorptive capacity

Knowledge transfer

Language-sensitive recruitment

Language training

Japan

ABSTRACT

Are multinational corporations able to enhance the development of absorptive capacity in foreign subsidiaries through language-oriented human resource management (HRM) practices? Taking into account that a shared language enhances absorptive capacity and that many multinational corporations are multilingual entities, this question is relevant but given little focused attention in international business research. In this paper, we hypothesize that two language-oriented HRM practices – language-sensitive recruitment and language training – enhance absorptive capacity in foreign subsidiaries. In addition, we hypothesize that interunit knowledge transfer partially mediates the positive relationship between these language-oriented HRM practices and absorptive capacity. Analyses of survey data derived at three points in time from 574 foreign subsidiary units in Japan provide support for these hypotheses.

© 2016 Elsevier Ltd. All rights reserved.

1. Introduction

Absorptive capacity, the “ability to recognize the value of new external information, assimilate it, and apply it to commercial ends” (Cohen & Levinthal, 1990, p. 128), is argued to contribute to the competitive advantage in organizations (Cohen & Levinthal, 1990; Lenox & King, 2004; Volberda, Foss, & Lynes, 2010). Since its introduction by Cohen and Levinthal (1989, 1990), scholarly interest in the absorptive capacity theory has accelerated (Volberda et al., 2010). In contrast to abundant research on absorptive capacity in various types of organizations, less about it is known in multinational corporations (MNCs) (Schleimer & Pedersen, 2013). In particular, scholars have paid little attention to the important question of whether MNCs are able to enhance the creation and development of absorptive capacity in their foreign subsidiaries (Schleimer & Pedersen, 2013).

Are MNCs able to enhance the development of absorptive capacity in foreign subsidiaries through language-oriented HRM practices? Taking into account that a shared language enhances absorptive capacity (Cohen & Levinthal, 1990) and that many MNCs are multilingual entities (Luo & Shenkar, 2006), this question is relevant but given little focused attention in international business

(IB) research. In this paper, we examine the effects of two commonly used language-oriented HRM practices, (1) language-sensitive recruitment and (2) language training, on absorptive capacity development in foreign subsidiaries. In line with previous research (Chang, Gong, & Peng, 2012; Schleimer & Pedersen, 2013), we conceptualize absorptive capacity as the employee ability in foreign subsidiaries to absorb MNC internal (but foreign subsidiary external) new information. In MNCs, language-oriented HRM practices are used as a concrete means to improve employees' foreign language proficiency and to develop a “shared language” or lingua franca for corporate communication (Marschan-Piekkari, Welch, & Welch, 1999b). Although a shared language can also be understood as professional or technical language, and company jargon (Welch & Welch, 2008), we focus in this paper on natural language, such as English or Japanese. In MNCs, English is used predominately as a lingua franca (Piekkari, Welch, & Welch, 2014). Natural language (hereinafter “language”), in turn, can be defined as a purely human and non-instinctive method of communicating ideas, emotions, and desires by means of a system of voluntary produced symbols (Sapir, 1921). Since knowledge transfer-related learning processes further influence which new knowledge and practices transferred are likely to be absorbed (Cohen & Levinthal, 1990; Lenox & King, 2004), we expect that language-sensitive recruitment and language training can enhance HCN employee ability to transfer knowledge across language boundaries, which in

E-mail address: vesap@mail.saitama-u.ac.jp (V. Peltokorpi).

<http://dx.doi.org/10.1016/j.ibusrev.2016.05.010>

0969-5931/© 2016 Elsevier Ltd. All rights reserved.

turn contributes to absorptive capacity in foreign subsidiaries. In line with the absorptive capacity theory (Cohen & Levinthal, 1990), this suggests that interunit knowledge transfer (i.e., knowledge transfer from one MNC unit to another) examined in this paper precedes absorptive capacity.

In this paper, we endeavor to make three contributions. First, we contribute to theory and research on absorptive capacity by shifting the focus from general HRM practices (Cohen & Levinthal, 1990; Minbaeva, Pedersen, Björkman, Fey, & Park, 2003) to two language-oriented HRM practices and their effects on absorptive capacity through interunit knowledge transfer in foreign subsidiaries. While given little attention in IB research, the absorptive capacity theory maintains that HRM practices play an important role in developing individual and organizational absorptive capacities (Cohen & Levinthal, 1990). Second, we answer to a recent call to elaborate ability-related dimensions of collective absorptive capacity (Minbaeva, Pedersen, Björkman, & Fey, 2014) by proposing that language-oriented HRM practices in part facilitate absorptive capacity development in foreign subsidiaries. The focus on language-oriented HRM practices in foreign subsidiaries is important because qualitative research suggests that HCN employees' low foreign language proficiency hinder absorptive capacity (Monks, 1996) and its antecedent, interunit knowledge transfer (Buckley, Carter, Glegg, & Tan, 2005). However, surprisingly few studies on language-oriented HRM practices and their outcomes are conducted in MNCs (Peltokorpi, 2015b). In particular, we are not aware of any previous publications that conceptually/empirically link language-oriented HRM practices, interunit knowledge transfer, and absorptive capacity. In addition to their conceptual and empirical novelty and relevance, these linkages provide important information to practitioners. Third, we contribute to quantitative research on language in MNCs by the data collected at three time points in time from 574 MNC subsidiary units in Japan. The three-wave data collection enriches research on language and knowledge transfer in MNCs that has predominately relied on data collected at a single time point (Michalova & Mustaffa, 2012; Piekkari et al., 2014).

The rest of this paper is organized as follows. The following, second section reviews theory and research on absorptive capacity and interunit knowledge transfer, as well as language in absorptive capacity and interunit knowledge transfer. The third section provides hypotheses on the effects of language-sensitive recruitment, language training, and interunit knowledge transfer on absorptive capacity. The fourth section discusses the study sample and methods. The fifth section presents the results. The sixth section discusses the theoretical contributions and practical implications of this paper; study limitations are discussed and suggestions for future research are also provided.

2. Conceptual framework

2.1. Absorptive capacity and knowledge transfer

The absorptive capacity theory is based on the notion that the organization needs prior related knowledge to recognize the value of, assimilate and apply new external information to commercial ends (Cohen & Levinthal, 1990). At the most elemental level, this prior related knowledge includes basic skills and a shared language. An organization's absorptive capacity is thus rooted in and emerges from individual absorptive capacities. Indeed, Cohen and Levinthal (1990, p. 131) argued: "An organization's absorptive capacity will depend on the absorptive capacities of its individual members. To this extent, the development of an organization's absorptive capacity will build on prior investment in the development of its constituent, individual absorptive capacities".

Individual absorptive capacity refers to memory development, in which accumulated prior knowledge enables the ability to store new knowledge into one's memory and to recall and use it (Cohen & Levinthal, 1990). It is important to note that organizational absorptive capacity is more than the sum of the absorptive capacities of its individual employees; it also depends on various distinctive organization-level factors, such as an organization's culture, HRM practices, structure, and research and development (R&D) expenditure (Cohen & Levinthal, 1990). Despite their different characteristics, individual and collective absorptive capacities are interrelated and coexist in organizations (Cohen & Levinthal, 1990; Zhao & Anand, 2009). For example, Cohen and Levinthal (1990) argued that by recruiting employees with needed skills and competencies, and investing in training, managers are able to develop both individual and organizational absorptive capacities. In a related vein, general HRM practices are found to enhance foreign subsidiary absorptive capacity through staff competence development (Minbaeva et al., 2003). Specifically, Minbaeva et al. (2003) demonstrated with a sample of 169 foreign subsidiaries in the USA, Russia, and Finland that competence/performance appraisal, merit-based promotion, performance-based compensation, training, and internal communication enhanced the development of absorptive capacity.

Knowledge transfer, defined as "knowledge communicated from one agent to another such as from one individual to another or from a group to an entire organization" (Hedlund & Nonaka, 1993, p. 123), is conceptualized and empirically shown to enhance the creation and development of absorptive capacity. Importantly, Cohen and Levinthal (1990, p. 131) argued that an organization's absorptive capacity "depends on transfers of knowledge across and within subunits." Based on this argument, scholars have touched the relationship between knowledge transfer and absorptive capacity in domestic organizations and foreign subsidiaries. For example, Lenox and King (2004) proposed that knowledge transfer enhances an organization's absorptive capacity and in a sample of information and technology manufacturers in the USA found that managers are able to develop absorptive capacity through information provision (i.e., transfer of practice-specific data). In addition, Liao, Fei, and Chen (2007) with a sample of 170 Taiwanese firms empirically established that knowledge sharing within an organization increases its stock of prior knowledge, thereby enhancing its absorptive capacity.

In MNC subsidiaries, transfer of ownership-specific assets from HQ is further shown to enhance the creation and development of absorptive capacity, helping them to compete more successfully in host countries (Miao, Choe, & Song, 2008). In a related manner, knowledge transfer is argued to contribute to the MNC subsidiary's absorptive capacity so that the subsidiary is able to recognize the value of new external knowledge more effectively and efficiently (Song, 2014). Phene and Almeida (2008), in turn, noted that the range of external and internal knowledge sources available facilitate the absorption and utilization of knowledge in MNC subsidiaries. In summary, theory and research suggest that prior transferred knowledge influences which new knowledge and practices are likely to be absorbed in MNC subsidiaries.

2.2. Language in absorptive capacity and knowledge transfer

Drawing on the absorptive capacity theory (Cohen & Levinthal, 1989), IB scholars have conceptualized employees' foreign language proficiency and language-oriented HRM practices as antecedents of absorptive capacity in MNCs. Welch and Welch (2008) proposed that employees' foreign language competences facilitate an MNC's absorptive capacity development. In a related manner, employees' foreign language proficiency is conceptualized to increase the ability of an MNC to absorb and use knowledge that

Download English Version:

<https://daneshyari.com/en/article/5107048>

Download Persian Version:

<https://daneshyari.com/article/5107048>

[Daneshyari.com](https://daneshyari.com)