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Affective networks, informal ties, and the limits of expatriate effectiveness

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ABSTRACT

Expatriate effectiveness research has so far rarely taken into account the influence of social networks on expatriate performance and adjustment. Likewise, antecedents of social networks remain poorly understood. We fill this research gap by exploring the situation of expatriates in South Korea. Based on expert interview data, we have discovered seven antecedents critical to expatriate effectiveness. Most antecedents hinder expatriate effectiveness due to the expatriates' inability to become a part of so-called *Yongo* networks, a distinctive type of social tie in South Korea that is to a great extent determined by birth. As a consequence, it is in particular expatriates' relational performance and interaction adjustment that is negatively influenced by *Yongo*. Based on the South Korean case, this study advises future research to more deeply study the nature and characteristics of the local social context, in particular affective ties, and extend research on expatriate effectiveness in this important dimension. Finally, we discuss practical implications important for multinational corporations and provide suggestions on how to better cope with exclusive informal social networks while on an assignment abroad.

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1. Introduction

Owing to increased business activities by multinational corporations (MNCs) as well as to the further opening of new and large overseas markets (e.g., China, India, Brazil), the use of the expatriate manager has steadily increased within recent decades (Harrison, Shaffer, & Bhaskar-Shrinivas, 2004; Harzing, 2001a, 2001b). In fact, a recent survey by PricewaterhouseCoopers (2012) found that expatriation has increased by 25% in the last ten years and this is projected to further grow to 50% by 2020. International assignments represent a significant cost factor for a firm. Considering an assignees fringe benefits and the potential cost attached to the relocation of the expatriate's family, expatriates are significantly more expensive for a firm than local employees are. Moreover, the success and failure of the expatriate has a direct impact on the performance of the MNC's investment abroad (Wang & Nayir, 2006). Hence, the effectiveness of an expatriate in the respective host country is important and a key concern for MNCs.

Expatriate effectiveness is currently a rather broad and inconsistently defined term (Mol, Born, & Van der Molen, 2005). Gordon and Teagarden (1995) regard the term expatriate success

synonymous for expatriate effectiveness. Integral in this view is the level of efficiency, i.e., how an expatriate masters job-related aspects (administrative, managerial, and technical tasks) in order to meet the demands of stakeholder (e.g., customers, suppliers, headquarters, home and host-country governments, and employee representatives) without wasting resources. Expatriate effectiveness is defined as "the ability to meet stakeholder needs; the ability to negotiate with the environment; and the ability (. . .) to be adaptable and flexible" (Gordon & Teagarden, 1995, p. 18). Prior studies used to regard expatriate adjustment to a new culture and work environment as well as expatriate performance two core dimensions that determine the effectiveness of expatriates (Bruning, Sonpar, & Wang, 2012; Chen, Kirkman, Kim, Farh, & Tangirala, 2010; Osman-Gani & Rockstuhl, 2008; Shaffer, Harrison, Gregersen, Black, & Ferzandi, 2006). A recent trend in the literature can be seen in the assessment of the environmental sphere in which an expatriate acts in the host country, which is increasingly recognized as a further important dimension affecting expatriate effectiveness. For instance, Harrison et al. (2004) observe that most previous studies tend to focus exclusively on the expatriate themselves, rather than taking into account factors related to the social environment when assessing the effectiveness of expatriates' actions. In this connection authors stress the importance of an expatriate's integration into social networks in the host country. Empirical research, though still scarce, finds a positive relationship

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between expatriate social ties to host country nationals (HCNs) and job performance (Mahajan & Toh, 2014). On the contrary, social ties are found to react negatively to adjustment (Bruning et al., 2012). Given the rather mixed results, scholars have called for more research in this direction. In their comprehensive review on social networks and expatriate effectiveness, Osman-Gani and Rockstuhl (2008) identify a research gap in (1) empirical research that explores the influence of the environmental context, (i.e., the integration of the expatriate in local social networks and their contribution to performance), as well as (2) a lack of understanding of the antecedents and nature of local social networks themselves. The present study attempts to enrich current knowledge in both fields by analyzing the situation of expatriates in South Korea (from this point referred to as Korea). Not only is the country home to a number of globally competitive MNCs such as Samsung, Hyundai, and LG, but their international success, the attractive domestic market, and proximity to China have led to an increase in international assignments to Korea, recently making the country a new emerging top destination for expatriates (Brookfield, 2012).

The purpose of this study is to contribute to filling the current knowledge gap on the role local social networks play on the effectiveness of expatriates and to understand their antecedents better. We approach this research by exploring the dimensions expatriates perceive as important for taking effective actions in business. Thereby we contribute to theory in two important ways. First, we propose a set of dimensions that may define factors of influence on the effectiveness of expatriates in more detail. Second, we provide a deeper insight into the antecedents of social networks, which currently lack thorough understanding (Osman-Gani & Rockstuhl, 2008). In addition to contributing to the literature on social networks and expatriate effectiveness, we believe this study has valuable implications for management practice and may help to improve the preparation of expatriates for assignments abroad.

In the following we first present the theoretical framework by examining the literature on informal business relationships, expatriate effectiveness and social networks, and connect these themes to the case of Korea. We focus on identifying research gaps, upon which research questions are derived guiding this research. Further, we illustrate the applied research methodology and present the results that we discuss in a next step by linking the results to the formulated research questions. Finally, we report on limitations and future research requirements, and provide implications for practice. The conclusion reflects on the findings.

2. Literature review and research gaps

2.1. Informal business relationships

Research on the formal mechanisms on how people organize and manage interpersonal transactions with others have a rich history in business and management studies. On the contrary, the informal side of it, which is often complementary, has been largely neglected thus far. The way informal social ties and social networks are established, maintained, strengthened and governed is often embedded in the respective cultural context in which interpersonal transactions take place. Surprisingly, thus far, research exploring mechanisms of informal management and organizational practices, in general, has not generated an integral management concept or theory (Minbaeva & Muratbekova-Touron, 2013). Whereas the integration into local informal networks has been regarded important for expatriate adjustment and performance (Abdul Malek, Budhwar, & Reiche, 2015; Mahajan & Toh, 2014), there is currently a lack of knowledge in understanding the challenges expatriates face becoming a member of local social networks, as those networks are arguably as different in their

nature as there are cultural differences between countries or regions. Most dominantly, the research theme on *Guanxi* has gained prominence (Buckley, Clegg, & Tan, 2006; Cooke, 2009; Li, Leung, Chen, & Luo, 2012; Luo, 2000), today, virtually every expatriate knows that establishing *Guanxi* is a precondition for doing business in China. While we will include *Guanxi* explicitly in our discussion at a later point, we believe that the local network view in connection to the situation of expatriates is an important extension to research focusing on factors influencing expatriate performance. For instance, in Japan, *Jinmyaku* (Gilbert, 2003) is an important factor in transactions between people. Translated into English, the term approximates ‘personal connections’. Establishing *Jinmyaku* is a lifetime process beginning in one’s school days. Whereas the Japanese are known to be rather reserved towards people they do not know, an introduction by a third person through *Jinmyaku* can open doors and help in debates or negotiations when rational arguments alone are not enough to reach agreement (Mitsubishi Corporation 2011). *Jinmyaku* relates to relationships inside the firm, with superiors, peers and subordinates, and outside the firm, i.e., with customers, decision makers in other organizations and government officials. The development of large *Jinmyaku* networks is considered of utmost importance for decision making or as a source of information gathering from firm-external sources. Further, other forms of informal social ties and networks important for transactions either have been neglected or remain underrepresented in the expatriate literature. For instance, in India, *Dharma* (Gopinath, 1998) is of importance, as is *Blat* in Russia (Ledeneva, 2006), *Wasta* (Hutchings & Weir, 2006) and *Et Moone* in the Middle East (Abosag & Lee, 2013), *Ubuntu* in South Africa (Mangaliso, 2001), and *Jeitinho* in Brazil (Amado & Brasil, 1991; Duarte, 2006). Obviously independent of a country’s economic development status and its stability and effectiveness of formal institutions, informal ways of managing and organizing affairs appear to remain intact and do not disappear over time. Whereas scholars pointed out that the concepts mentioned above are important for managing local operations, their role in moderating the effectiveness of expatriates can be regarded under researched currently.

2.2. Expatriate effectiveness

While little consensus exists among scholars on what the term “expatriate effectiveness” comprises in detail, the majority agree that expatriate adjustment and expatriate performance are two important dimensions that define the term (Black, 1988; Bruning et al., 2012; Liu & Shaffer, 2005; Shaffer et al., 2006).

By building on the definitions of Caligiuri (1997) and Liu and Shaffer (2005), expatriate performance comprises the dimensions of relational and job performance (Gonzalez and Chakraborty, 2014; Peltokorpi & Froese, 2014) as well as knowledge transfer (Mäkelä, 2007; Choi & Johanson, 2012). Relational performance describes the interpersonal skills needed that positively influence job performance, such as proactive and prosocial behavior, the willingness to cooperate and help others, being a team player, and putting extra effort into tasks to complete them successfully. Job performance refers to technical knowledge and skills in relation to the specific task to be performed. Knowledge transfer across different locations has often been regarded as challenging for internationally operating firms (Bartlett & Ghoshal, 1989; Doz, Santos, & Williamson, 2001; Choi & Johanson, 2012) and a cornerstone to establishing competitive advantage (Grant, 1996; Kogut & Zander, 1993). Expatriates are conventionally regarded as vehicles or exporters of knowledge transfer at the personal level between the parent company and the facility abroad. Two directions of knowledge transfer can be distinguished: The conventional transfer of knowledge from home to host unit

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