



Corporate Language Proficiency and Reverse Knowledge Transfer in Multinational Corporations: Interactive Effects of Communication Media Richness and Commitment to Headquarters



Vesa Peltokorpi*

Japan Advanced Institute of Science and Technology, 1-1 Asahidai, Nomi, Ishikawa 923-1292, Japan

ARTICLE INFO

Article history:

Received 19 December 2013

Received in revised form 21 November 2014

Accepted 21 November 2014

Available online 6 December 2014

Keywords:

Media richness

Knowledge transfer

Language

Headquarters commitment

ABSTRACT

While corporate language proficiency provides the ability for employees in foreign subsidiaries to transfer knowledge to headquarters (HQ) in multinational corporations, this topic has received relatively little attention in international management research. In this paper, I link host country national (HCN) employee corporate language proficiency to reverse knowledge transfer. In addition to its direct effect, I draw on media richness theory and related research to hypothesize that communication media richness has a mediating effect between HCN corporate language proficiency and reverse knowledge transfer. As employees also need to be motivated to transfer knowledge to HQ, I draw on ability–motivation frameworks to hypothesize that HCN employee commitment to HQ has a moderating effect between communication media richness and reverse knowledge transfer. Data derived at two points in time from 661 functional departments of foreign subsidiaries in Japan provide support for the direct and interactive effects.

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1. Introduction

The competitive advantage of a multinational corporation (MNC) is alleged to be based on its ability to transfer knowledge effectively and efficiently through its intra-organizational networks (Kogut and Zander, 1993). Knowledge transfer is important because it allows HQ and globally distributed subsidiaries to learn from each other (Gupta and Govindarajan, 2000), increasing the MNC's overall knowledge base and competitive advantage (Kogut and Zander, 1993). Over the years, researchers have provided rich empirical evidence on the causes and consequences of knowledge transfer in MNCs (Michailova and Mustafa, 2012). While language is an essential, if not the most important, part of knowledge transfer in MNCs (Welch and Welch, 2008), it has received relatively little attention in international management (IM) research. Because MNC subsidiaries are shown to be managed in linguistically constrained environments where either no shared language exists or where HCN staff has low corporate language proficiency (Marschan-Piekkari et al., 1999), more research in this area is warranted.

In this paper, I contribute to IM research on knowledge transfer and language in three ways. First, I focus on reverse knowledge transfer from subsidiaries to their parent company HQ in MNCs. In addition to conventional forward knowledge transfer from HQ to subsidiaries and lateral knowledge transfer among subsidiaries, reverse knowledge transfer is identified to have a pivotal role in the effectiveness and efficiency of MNCs (Ambos et al., 2006; Mudambi et al., 2014; Rabbiosi, 2011). HQ benefits from reverse knowledge transfer in numerous ways; they may use knowledge from subsidiaries to better coordinate a global strategy, as well as to

* Tel.: +81 761 51 1712.

E-mail address: vesap@jaist.ac.jp.

improve the development of new products, technologies or services (Ambos et al., 2006). In addition, HQ can channel received knowledge to relevant subsidiaries, thereby orchestrating knowledge transfer processes in MNCs (Rabbiosi, 2011). While research on reverse knowledge transfer has grown in recent years, there are still relatively few contributions focusing on the ability and motivation-related factors (Mudambi et al., 2014). In particular, even though HCN employees are identified to have an important role in acquiring and transferring local knowledge to HQ (Chang et al., 2012), little is known about the effect of HCN employee MNC-level corporate language proficiency (referred to as “corporate language proficiency” hereinafter) in reverse knowledge transfer, the topic examined in this paper.

Second, I link corporate language proficiency to communication media usage in reverse knowledge transfer. By so doing, I move beyond previous research that has focused on direct effects of language on knowledge transfer (Ambos and Ambos, 2009; Schomaker and Zaheer, 2014), and answer to a call for more fine-grained research on language and its effects in MNCs (Harzing and Feely, 2008). More specifically, I draw on media richness theory (Daft and Lengel, 1984, 1986) and related research in MNCs to propose that communication media richness has a mediating effect between HCN employee corporate language proficiency and reverse knowledge transfer. In media richness theory, communication media is described to have varying capacities for resolving ambiguity, negotiating different interpretations, and facilitating understanding. Drawing on media richness theory, IM scholars have argued that rich communication media (e.g., face-to-face interactions) is a more effective channel to transfer tacit knowledge in MNCs than lean communication media (e.g., memos) (Ghoshal and Bartlett, 1988; Pedersen et al., 2003). A related stream of IM research suggests that HCN employees proficient in corporate language rely on rich communication media to interact through language boundaries in MNCs (Harzing et al., 2011). By integrating these two streams of research, I contribute to IM research by arguing that not only corporate language proficiency, but also corporate language proficiency in conjunction with communication media richness facilitates reverse knowledge transfer. Focus on the mediating effect of media richness is important due to the alleged importance of tacit knowledge to MNC competitive advantage (Subramaniam and Venkatraman, 2001).

Third, while corporate language proficiency may impact HCN employee ability to engage in knowledge transfer, their willingness to do so may be contingent on motivation-related factors. Indeed, motivation–ability frameworks in MNC settings suggest that HCN employees need to be both able and motivated to transfer knowledge (Chang et al., 2012; Minbaeva et al., 2003). In this paper, I focus on how HCN employee commitment to HQ (referred to as “HQ commitment” hereinafter) as a relevant motivation-related factor affects communication media usage in reverse knowledge transfer. HQ commitment refers to HCN employee emotional attachment and motivation to act in line with HQ goals (Bouquet and Birkinshaw, 2008). By focusing on HQ commitment, I contribute to IM research by providing additional specifications on how motivation-related factors affect reverse knowledge transfer by drawing on ability–motivation frameworks (Minbaeva et al., 2003) and related research on communication media usage (Koo et al., 2011). More specifically, I propose that HCN employee HQ commitment has a moderating effect between communication media richness and reverse knowledge transfer. Thus, HCN employees with higher HQ commitment can make more effort to transfer knowledge to HQ through rich communication media than HCN employees with lower HQ commitment. By this moderating effect, this paper further provides important practical implications on how MNCs can enhance reverse knowledge transfer. In all, this paper extends the mediums and mechanisms examined in IM research on knowledge transfer. The research model and hypotheses discussed more in-depth in the following sections are shown in Fig. 1.

2. Conceptual framework and hypotheses

2.1. Language in MNC knowledge transfer

Knowledge transfer often requires an articulation or externalization process that makes personally held tacit knowledge more explicit and accessible to others (Welch and Welch, 2008). In this process, language is an essential, if not the most fundamental, part of knowledge transfer (Welch and Welch, 2008). Despite its integral role, language until recently has been a “forgotten factor” in IM research (Marschan-Piekkari et al., 1999). In research taking account of language, a common presumption is that language

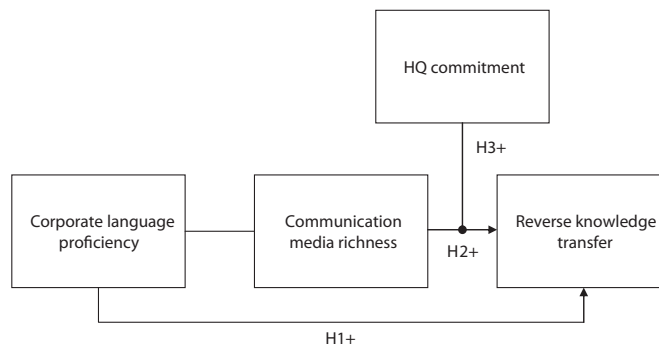


Fig. 1. Research model and hypotheses.

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