



The Role of Language in Knowledge Transfer to Geographically Dispersed Manufacturing Operations[☆]



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ABSTRACT

This study proposes a model of the effects of language on knowledge transfer to geographically dispersed operations. Rather than focusing on the distance between two language groups, we look at the commonalities between their languages, introducing the construct of *linguistic relatedness* as a way to measure the overlap in the structural features of the dominant languages at play between firms and their overseas manufacturing operations. We focus on the structural aspects of language (e.g., grammar, pronunciation, and word formation), rather than the functional aspects that deal with usage and interpretation. This allows us to separate the effects of language from those of culture and test whether linguistic distance may be more or at least differently relevant in communication-related tasks. We test our model of knowledge transfer and linguistic relatedness through a survey of international operations managers representing US-owned multinational enterprises with manufacturing plants in 22 countries. While linguistic relatedness shows the expected positive relationships with ease of knowledge communication and normative integration, it is negatively related to knowledge understanding – an echo of the psychic distance paradox and a reminder that distance can sometimes be beneficial, as it signals the need for attention to complex processes such as communication of knowledge.

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1. Introduction

Firms with geographically dispersed operations face the fundamental challenge of dealing with myriad country differences, including regulations, cultures, and institutions. These differences raise the costs of doing business abroad (Hymer, 1976) and can represent disadvantage for multinational firms (Zaheer, 1995). Language is an especially apparent contextual difference. Misunderstandings and the extra communicative effort occasioned by one or both sides having to work in a non-native language can exacerbate already complex tasks. As we move toward greater global outsourcing of value adding-activities, the level of global communication rises commensurately, and language is likely to play an even bigger role in facilitating or hindering coordination among a firm's far-flung operations.

Knowledge transfer is one task that is of critical importance to the firm and, as such, has received a great deal of attention as a field of inquiry. Although research has considered the implications of asymmetries in the environments of the source and recipient knowledge transferring units, including both culture and institutions (e.g., Kostova, 1996; Naor et al., 2010; Szulanski, 1996), the language dimension has received less attention. Communication, however, does crop up often as a key aspect of knowledge transfer. For example, Nonaka and Takeuchi (1995) contrast organizational structures that foster uni-directional versus bi-directional communication in the creation and sharing of knowledge. Szulanski (1996) shows that, although motivation to transfer is important,

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the relationship between parties and resulting ease of communication had an even stronger effect on knowledge transfer. Similarly, Ghoshal and Bartlett (1988) find that both inter- and intra-unit communication have a positive effect on the creation and diffusion of innovation within an MNE. Gupta and Govindarajan (2000) test a model of MNE knowledge flows based upon communication theory, looking at organizational and unit characteristics of sender, recipient, and transmission channel. Argote et al. (2003) take as a goal the reduction of communication costs as a means of enhancing transfer. Finally, Bresman et al. (1999) show that frequent communication is necessary for successful transfer of knowledge between headquarters and newly acquired foreign subsidiaries.

While recognizing communication's import for knowledge transfer, most studies operationalize communication in terms of frequency (e.g., Bresman et al., 1999; Ghoshal and Bartlett, 1988). These studies carry an implicit assumption that more is better. The findings of Bresman et al. (1999) notwithstanding, this is a theoretically unsubstantiated assumption. Intuitively we can see that when communication is difficult, unpleasant, confusing, or simply inaccurate, more is not necessarily better and can actually prove detrimental.

It is certainly true that communication is necessary for knowledge transfer. Without communication, knowledge cannot be transferred. It is the conduit of transfer. But problems can arise from a simplistic and idealized view communication: We believe that what we think, we say and that what we hear, we understand – that the knowledge gets from source to recipient in the exactly the state in which it left. Unfortunately, thoughts don't go directly from our mind to our tongues. Nor does the message necessarily arrive in our brains, intact. Communication is an elaborate process of product and reception, intention and inference (Armstrong and Kaplowitz, 2001; Sperber and Wilson, 1995). It is a process, moreover, that is critically dependent upon the linguistic resources available to the source and recipient. It is therefore imperative that studies of knowledge transfer take into account the role of language in determining the potential outcomes of communication.

Fortunately there has been a recent surge in work discussing the importance of cross-linguistic communication, including work linking language to communication. Barner-Rasmussen and Bjorkman (2005) show how fluency in the lingua franca can influence intensity of interunit communication. Brannen (2004) takes this new line of inquiry further by developing the concept of 'semantic fit,' predicated on the conceptualization of languages as systems of meaning that render an firm's products, practices and ideologies more or less appropriate for different international contexts. And one study does link language – and more particularly, linguistic distance – to knowledge transfer. Ambos and Ambos (2009) find that linguistic distance moderates the relationship between knowledge coordination mechanisms and knowledge transfer effectiveness *above and beyond the moderating effects of cultural and geographic distance*, suggesting that language represents a form of distance that may operate in different ways than cultural distance.

One plausible reason that this last point has been often overlooked lies in the demonstrated relationship between language and culture (e.g., Hofstede, 1980; Ronen and Shenkar, 1985), suggesting that the effects of language may be captured in measures of culture. Much of the research on language in international business either treats language as a single discrete construct or focuses specifically on the culturally-bound aspects of language, such as semantics and pragmatics (the creation of static and dynamic meaning, respectively). This creates a problem for measuring the effects of language, as culturally driven aspects of language may be captured by measures of culture – but the entirety of language issues is not identified, nor are the effects of language isolated. As pointed out in Welch and Welch (2008), although language and culture are undeniably related, their respective influences on communication patterns are likely to be distinct. Understanding these distinctions will provide some guidance for organizations as to whether and when to rely on people with international versus linguistic expertise, as fluency in a language does not automatically convey cultural fluency, nor vice versa. We offer a way to create some separation between the effects of language and culture and move this line of research forward by focusing instead on the structural foundations of language rather than on its culturally-bound aspects.

Linguistic theory makes a distinction between the *functional* and *structural* aspects of language. The former, which focuses on language usage, is unquestionably tied to culture. Societies that share a language (e.g., France and Canada) differ in culturally bound functional aspects such as semantics and pragmatics; the structural elements of the language, though, (such as grammar) are relatively invariant across cultures. Structural analyses of language focus on the fundamental characteristics of languages that influence their acquisition and use (Chomsky, 1980), rather than on their usage per se (Van Valin, 2003). Using this structural approach, we introduce the concept of linguistic relatedness of languages across subunits and compare its effects with those of various measures of cultural relatedness, demonstrating their respective influences and distinctiveness.

We argue that this structural approach is particularly useful not just because it differentiates language from culture, but because it has been shown that the extent of linguistic relatedness affects the ability of individuals to learn and use the foreign language. We know foreign language competence of source and recipient to be a factor in the transfer of knowledge within the firm (Björkman and Piekkari, 2009; Sunaoshi et al., 2005). Linguistic relatedness provides a construct at the language level, rather than the individual level. Language and communication are often studied at the level of the individual source and recipient. However, for knowledge transfer to foreign operations, dissemination of knowledge typically occurs among groups from one unit to another and often the outcomes cannot be disaggregated to the between-individual communication events.

Our focus is on such unit-level transfer between headquarters and manufacturing plants located in countries with a single dominant language. By 'dominant', we mean a single language with country-wide use. Many countries have indigenous languages or large groups of immigrant populations from countries with other languages. The dominant language, however, is the one most everyone is educated in and is used as the language of institutions and of commerce and thus the dominant language is likely to be the modal language of the unit.

We suggest that when the *unit languages* of headquarters and manufacturing plant differ because the units are located in countries whose dominant languages differ, the extent of linguistic relatedness – and thus, structural overlap – between the unit languages will influence both the ease with which knowledge is transferred, as well as the level of comprehension of the knowledge at the destination unit. In addition, we look at the mediating role of the subunit's normative integration with headquarters (Ghoshal and

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