



Expatriate knowledge utilization and MNE performance: A multilevel framework



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ABSTRACT

We present a multilevel conceptual framework of expatriate knowledge utilization. Drawing from the resource-based view and multilevel approaches to expatriate utilization, we describe how individual expatriate characteristics (task-related and intercultural competencies, and motivation to transfer knowledge) and international adjustment, as well as subsidiary characteristics (absorptive capacity and knowledge sustainability) influence knowledge transfer effectiveness. We also draw from outward knowledge transfer and expatriate learning perspectives to address the cyclical nature of the process. As such, we include the effect of expatriate learning not only in continued knowledge flows to the subsidiary, but also in knowledge flows to the home division. We offer several implications for research on practice, including the notion that knowledge transfer to the subsidiary should continue upon repatriation, and that outward knowledge transfer can begin before repatriation. The framework reiterates that expatriates are valuable human capital and a source of sustained competitive advantage to the MNE.

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1. Introduction

Multinational enterprises (MNEs) enhance their ability to compete against local and international competitors thanks to the transfer of knowledge across the geographic locations where they have a physical presence (Mudambi, 2008; Mudambi & Swift, 2012). This knowledge is typically transferred through expatriates who serve as a repository of knowledge and vehicle for knowledge dissemination (Brock, Shenkar, Shoham, & Siscovick, 2008; Gong, 2003). Expatriates fill a human capital need in MNE subsidiaries and are used in key roles where their managerial and technological know-how makes an impact to subsidiary performance (Collings & Mellahi, 2009). This means that expatriation is an important area of strategic international human resource management (IHRM) (Caligiuri & Colakoglu, 2007).

Expatriation research has traditionally focused on prevention of expatriate failure operationalized as premature return (Shaffer & Harrison, 1998; Takeuchi, 2010). Nonetheless, recent perspectives have begun to acknowledge that expatriate characteristics have a role in knowledge transfer and subsidiary performance (Chang, Gong, & Peng, 2012; Hébert, Very, & Beamish, 2005; Wang, Tong, Chen, & Kim, 2009). These studies have opened up a research stream highlighting the role of expatriate characteristics in the knowledge transfer process. The network view of MNEs further suggests that knowledge flows in all directions, including among subsidiaries and from subsidiaries to headquarters (HQ) (Andersson, Forsgren, & Holm, 2007). This means that the knowledge that expatriates possess and develop during their international assignments can influence the knowledge and performance of their home divisions (Lazarova & Tarique, 2005). Ultimately, this knowledge can flow to and influences the whole MNE.

Our goal here is to build upon theory and research examining the role of expatriates in knowledge transfer and present a multilevel conceptual framework for *expatriate knowledge utilization* (EKU) intended to guide future research. Applying the

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resource-based view of the firm (Barney, 1991; Wernerfelt, 1984) and multilevel approach to expatriate utilization (Peng & Luo, 2000), we describe how expatriate and subsidiary characteristics are related to knowledge transfer, subsidiary performance and home division dynamics. At the individual level, we address the role of expatriates' task-related competencies, intercultural competencies, motivation to transfer knowledge, and international adjustment on knowledge transfer. At the organizational level, we describe the role of the subsidiary's absorptive capacity on its knowledge sustained and performance. Relying on research on expatriate learning (Chen, Bapuji, Dyck, & Wang, 2012) and outward knowledge transfer processes (Lazarova & Tarique, 2005; Mäkelä, 2007), we discuss the cyclical nature of the process and the role of EKU in knowledge transfer to the home division. Overall, we provide the theoretical basis to answer two research questions: *How do expatriate individual characteristics and international adjustment affect organizational expatriate knowledge utilization? How does expatriate knowledge utilization influence home division and MNE performance?*

We also seek to present several managerial implications for IHRM practice. Increasing our understanding of how individual- and subsidiary-level factors influence the subsidiary performance can help MNEs manage their expatriation processes with global talent management and strategic IHRM goals. Effective EKU has implications for MNE performance because performance of the MNE depends on the aggregate performance of its subsidiaries, as well as on its ability to disseminate knowledge across all the units that comprise it. Moreover, the cyclical nature of our framework implies that MNEs should manage EKU by thinking beyond the traditional expatriation–repatriation cycle. Although what expatriates learn during their international assignment is directly and most immediately relevant to the effectiveness of the ongoing knowledge transfer flow to the subsidiary, MNEs can and should utilize repatriates as boundary spanners to transfer knowledge in all directions both during and after their assignments (Kostova & Roth, 2003; Mäkelä, 2007). This includes outward knowledge transfer while they are still expatriates, as well as knowledge transfer to their former foreign post upon repatriation.

The remainder of the paper is organized as follows. First, we briefly review the literature that links expatriation to knowledge transfer and subsidiary performance in order to describe the individual-level expatriate characteristics that affect EKU. Second, we describe the moderating role of the subsidiary's absorptive capacity in sustaining the knowledge transferred. Third, building on this organizational capacity to sustain knowledge, we extend our framework to apply to expatriates' learning during their international assignment, as well as the role of EKU in outward knowledge transfer and home division dynamics. We conclude with theoretical implications that highlight the need for multilevel and longitudinal research, and with management implications relevant to MNE performance.

2. Theoretical background on knowledge and expatriation

2.1. Knowledge and its transfer

Knowledge refers to data, information, ideas, rules, procedures, intuition, experiences, and models developed over time that influence behavior and decisions (Kostova, Athanassiou, & Berdrow, 2004). It includes simple, explicit artifacts such as the understanding of formulae, software code, and operating manuals. Knowledge can also be tacit, which means that it is complex, contextual, and difficult if not impossible to codify, that is, unable to be written down or expressed verbally (Nelson & Winter, 1982; Polanyi, 1966). Knowledge is a critical strategic resource (Grant, 1996; Kogut & Zander, 1992), and knowledge assets are valuable, rare, and non-imitable and therefore, they are sources of sustained competitive advantage (Barney, 1991; Hitt, Biermant, Shimizu, & Kochhar, 2001; Osterloh & Frey, 2000). For example, disseminating MNE-proprietary technological and marketing knowledge to subsidiaries enables them to achieve higher performance (Delios & Beamish, 2001; Fang, Wade, Delios, & Beamish, 2007; Pisano, 1994).

Despite possessing a “liability of foreignness” in overseas economies (Zaheer, 1995), MNEs can gain a competitive advantage over domestic competitors by transferring their core knowledge competencies across geographically and nationally dispersed units (Wang et al., 2009). In fact, the opportunity that MNEs have to transfer core knowledge competencies is tied to their economic reason for existence (Kogut & Zander, 1993). Nonetheless, deploying knowledge across geographically dispersed units is not easy, particularly when the relevant knowledge is tacit and when such geographic dispersion crosses national borders (Simonin, 1999; Szulanski & Jensen, 2006). Thus, pockets of knowledge are likely to exist within MNEs. To be fluid, the transfer of “sticky” or difficult-to-disseminate knowledge requires management (Oddou, Osland, & Blakeney, 2009; Szulanski & Cappetta, 2003).

2.2. Expatriation and knowledge transfer

Expatriates are knowledge repositories and serve as knowledge dissemination vehicles of primordial importance to the MNE (Bonache & Brewster, 2001). The increasing frequency of expatriation indicates that global human talent moves around the world as organizations become integrated into the global economy (Caligiuri, 2000). Despite its relatively high cost and potential for failure, expatriation is common because it offers several strategic advantages. Expatriation has been used to institutionalize practices, transmit corporate culture to subsidiaries, enhance global control and coordination (Edström & Galbraith, 1977; Kostova, 1999), as well as to transfer knowledge (Wang et al., 2009). In the latter role, senior expatriate executives who have technical and/or managerial expertise are deputed from HQ or another subsidiary to manage a foreign venture, develop managerial talent, and serve as a knowledge communication link across MNE divisions (Gong, 2003; Grosse, 1996).

The success of expatriate assignments is therefore of strategic importance to MNEs (Garonzik, Brockner, & Siegel, 2000). Defining expatriate success as retention and failure as premature return does makes sense given the significant financial costs

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