

Chapter 22

Local Embeddedness and Expatriates' Effectiveness for Knowledge Transfer within MNCs: A Cultural Perspective

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ABSTRACT

The development of expatriates' social relationships in a local environment is critical given that social ties are considered the key players of a Multinational Corporation's (MNC) network and a prerequisite for knowledge transfer within the organization. By building on the national and organizational culture literature, we develop a conceptual model to better understand how expatriates can effectively build local embeddedness. Our conceptual arguments include how four groups of culture-related factors predict expatriates' local embeddedness, expatriates' cross-cultural experience, expatriates' cultural orientation, local national culture, and MNCs' organizational culture. Finally, we also investigate under what conditions expatriates' social ties within the MNC can influence the expatriates' effectiveness in knowledge transfer.

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INTRODUCTION

During the last 20 years with increased globalization, the number of international assignments undertaken by employees has increased. A growing stream of research has viewed expatriates as boundary spanners and has examined their role in creating, disseminating and leveraging knowledge within Multinational Corporations (MNCs) (Bolino, 2007; Kostova & Roth, 2003). A key notion addressed in this literature stream is that in addition to effective selection and training provided by MNCs, expatriation success depends on job-related knowledge transfer conducted by expatriates as well. For example, expatriates will consider future job-related prospects when they determine how much to contribute to knowledge transfer after they return back as part of their long-term career building. However, we know little about factors influencing the likelihood of expatriate effectiveness in knowledge transfer within the MNC. Moreover, barriers of long-term knowledge creation have been reported, such as low satisfaction of these international assignees, "Field Failure" in host countries, and high turnover after returning back to headquarters (Bolino & Feldman, 2000; Sanchez, Spector, & Cooper, 2000; Takeuchi, Tesluk, Yun, & Lepak, 2005).

In this chapter, we extend understanding on existing expatriate literature by developing the concept of "local embeddedness," and we argue that expatriates' proactive behaviors built in a local context can enhance their performance for further knowledge creation within the MNC. We argue that local embeddedness, defined as the degree to which an individual has developed local ties in a host country, can enhance expatriates' capabilities to seek, acquire and integrate knowledge in local subsidiaries. Studies identify that social ties, social networks and relational embeddedness can facilitate knowledge sharing between different entities within the MNC (Hansen, 1999; Schulz, 2003); therefore, expatriates as boundary spanners can facilitate knowledge network building

and development for the MNC (Kostova & Roth, 2003). Despite an abundance of research on social networks in international management, however, we know little about what may influence why and how expatriates build local social relationships for further knowledge transfer. Accordingly, our goal is to address the following interrelated questions: First, what are the antecedents for expatriates' local embeddedness? Second, once this embeddedness is formed, under what conditions can it influence expatriates' effectiveness of knowledge transfer?

With respect to the first question, this chapter specifically focuses on culture-related antecedents. With the development of a global economy, people from different countries are more likely today to speak the same language compared to earlier generations. However, even with more bi- and tri-lingual speakers, different cultures still impact translation and meaning of the language. For example, although Chinese citizens may speak English and understand the meaning of their American counterparts' language, their interpretation of certain terms and symbols will be influenced by their own cultural experiences. Therefore, a comprehensive understanding of the essence of different cultures is critical to understanding the social interaction process between expatriates and local employees.

Please refer to Figure 1 for the conceptual framework of the paper.

In this chapter, we offer contributions to three primary areas: 1) extending cross-cultural research by examining culturally related antecedents to expatriates' embeddedness in a local culture; 2) Adding to the literature on MNC's knowledge transfer by offering insights into the influence of the culture and practices of MNCs on expatriates' embeddedness; and 3) Extending expatriate research which has historically been focused on adjustment to include embeddedness.

First, cross-culture research remains an important focus in international management literature (Ralston, Holt, Terpstra & Yu, 1997; Suddaby, Elsbach, Greenwood, Meyer, & Zilber, 2010).

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