

Kawai & Chung (2019).

**“Expatriation, Subsidiary Knowledge Creation & Performance: The
Moderating Role of Transnational Strategy”,
*Journal of World Business.***

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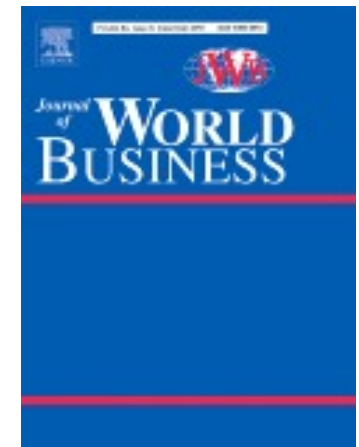
■ Today's Scholarly Work

❖ Paper Title

Norifumi Kawai & Chul Chung (2019). “Expatriation, Subsidiary Knowledge Creation & Performance: The Moderating Role of Transnational Strategy”, *Journal of World Business*. (Netherlands: Elsevier) [SSCI] (Impact Factor: 8.635; ABS: 4, VHB: B & ABDC: A).

❖ Research Talks

Academy of Multinational Enterprise Annual Meeting (2017), Henley Business School at the University of Reading (2017), University of Tokyo (2018), Yokohama National University (2018) & Sophia University (2018).





■ A Traditional View of the MNC

- ❖ **Firm-specific knowledge assets as the most critical resources for an MNC** (Buckey & Casson, 1976)
- ❖ **Parent firm as a vital source of firm-specific advantages to overcome “*liabilities of foreignness*” in the foreign markets** (Hymer, 1960).
- ❖ **Subsidiaries exploit the firm-specific knowledge assets** (Dunning 1980).
 - **Knowledge transfer** from **HQ** through **expatriates** (VKT).
 - **Expatriates** play a key role in **recognizing** dispersed knowledge sources in an MNC, **orchestrating** knowledge flows & **leveraging** such knowledge across the MNC network.



■ Previous Literature

❖ Inconsistent Results?

- (+) R&D expatriates have a significant & positive effect on innovation in subsidiaries (Li et al., 2013).
- (–) Expatriate presence is negatively related to subsidiary performance (Fang et al., 2010) & subsidiary labor productivity (Gaur et al., 2007).
- (–) The presence of expatriate managers is negatively related to knowledge transfer performance (Andersson et al., 2015).
- (n.s.) The number of expatriate managers does **NOT** have any statistically significant, positive effect on both knowledge transfer & subsidiary performance (Chang et al., 2012).
- (n.s.) Expatriate presence has **NO** impact on subsidiary performance (Colakoglu & Caligiuri, 2008).



■ Research Puzzles

❖ WHY Inconsistent Results?

- Chang et al. (2012: 942) stress the need for more research on “*with expatriates treated as **a black box**, it has not been clear what is in them that helps or hinders knowledge transfer*” instead of taking it for granted that international assignments stand for transmission of knowledge.
- **Expatriate managers** act **NOT ONLY** as **knowledge transferors** **BUT ALSO** as **knowledge creators/developers**.
- Much prior research has used **indirect measures** of the roles international assignees satisfy in foreign subsidiaries (Delios & Björkman, 2000)
 - **The expatriate ratio** (Colakoglu & Caligiuri, 2008; Gaur et al., 2007) or **the dichotomous variable** (Belderbos & Heijltjes, 2005) do not necessarily enable us to differentiate which motives expatriates perform.
 - **A control & coordination function** (Boyacigiller, 1990) vs. **a knowledge creation function** (Belderbos & Heijltjes, 2005).



■ '3' Key Contributions of this Study

- ❖ Special focus on the characteristics of expatriates in relation to knowledge transfer in an extension of the **concept of 'expatriate knowledge transfer capacity'**.
 - Technical & managerial skills.
 - Motivation to transfer knowledge.
 - Adaptability in transferring knowledge.
- ❖ **Knowledge-creation mechanisms as a process factor** in mediating the expatriate knowledge transfer-MNC subsidiary performance link.
- ❖ The link between **expatriate knowledge utilization & subsidiary strategy** has been overlooked in the context of knowledge creation at the subsidiary level.

Source: Ghoshal & Bartlett (1988) & Bartlett & Ghoshal (1989)



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- ❖ Special focus on the characteristics of expatriates in relation to knowledge transfer in an extension of the **concept of 'expatriate knowledge transfer capacity'**.
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 - Motivation to transfer knowledge

Research Question

WHY, WHEN, & HOW can expatriates' knowledge transfer effectively lead to **superior subsidiary performance?**

performance link.

- ❖ The link between **expatriate knowledge utilization & subsidiary strategy** has been overlooked in the context of knowledge creation at the subsidiary level.

Source: Ghoshal & Bartlett (1988) & Bartlett & Ghoshal (1989)

Theory & Hypotheses

■ The Definition of Subsidiary Knowledge Creation

- ❖ **Subsidiary knowledge creation** as a core part of the subsidiary-specific advantages (Rugman & Verbeke, 2001).
- ❖ New, improved, or refined ways of doing things ↑ = **Organizational value or operational efficiency ↑**
- ❖ The subsidiary has the capacity to **create new knowledge** in:
 - Marketing & sales / management techniques / manufacturing processes / products & service; & technology.
- ❖ Combining **multiple sources of knowledge** across borders.
- ❖ **Outcomes of social interactions among actors** with different knowledge sources in the process of **local problem solving**.

Theory & Hypotheses

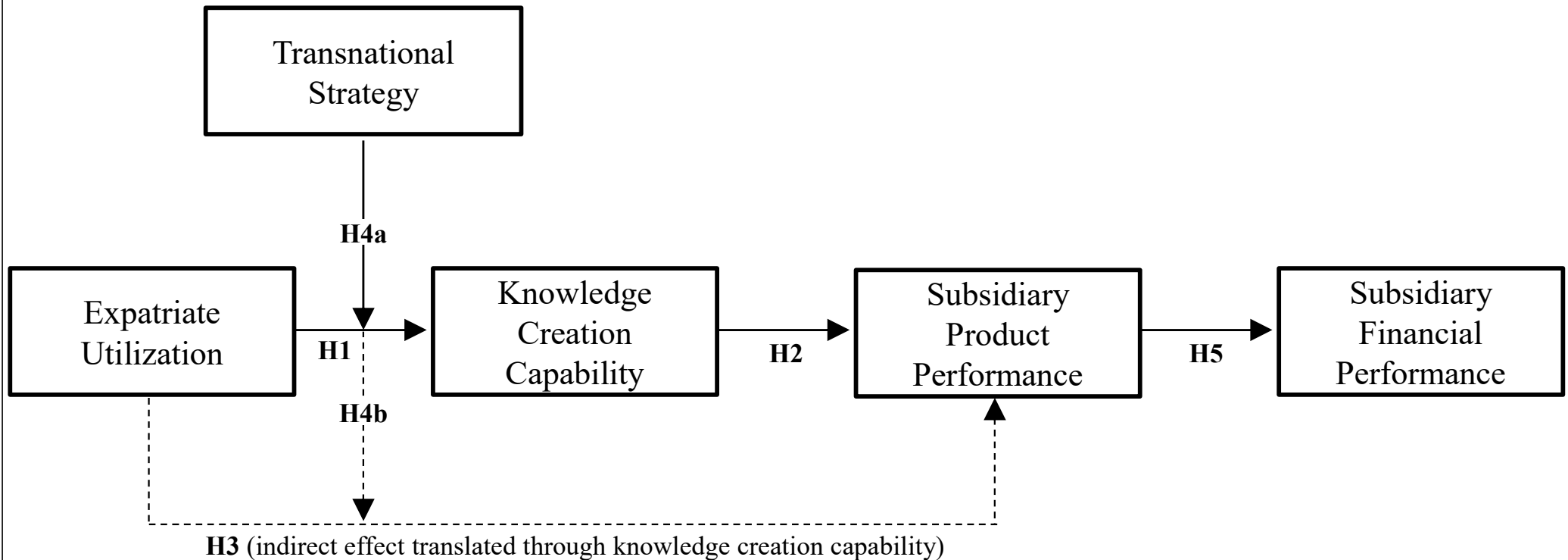
■ Prior Studies on Subsidiary Knowledge Creation

- ❖ Relatively few empirical studies.
- ❖ External knowledge flows as a key factor.
 - The knowledge creation & learning perspective on expatriation.
- ❖ ‘2’ sets of potential knowledge sources:
 - Knowledge inflows from an MNC network incl. HQs & peer subsidiaries.
 - Knowledge inflows from local parties, such as local suppliers, competitors, buyers & other local institutions.
- ❖ Not clear **WHETHER & HOW** knowledge inflows would contribute to the subsidiary knowledge creation.
 - Knowledge inflows from local parties (+) (Almeida & Phene, 2004)
 - **NO** impact of knowledge inflows from MNC networks (**n.s.**) (Almeida & Phene, 2004) **TRUE???**

Source: Almeida & Phene (2004); Andersson, Björkman, & Forsgren, (2005); Colakoglu et al. (2014); Phene & Almeida (2008).

Theory & Hypotheses

■ Proposed Research Model



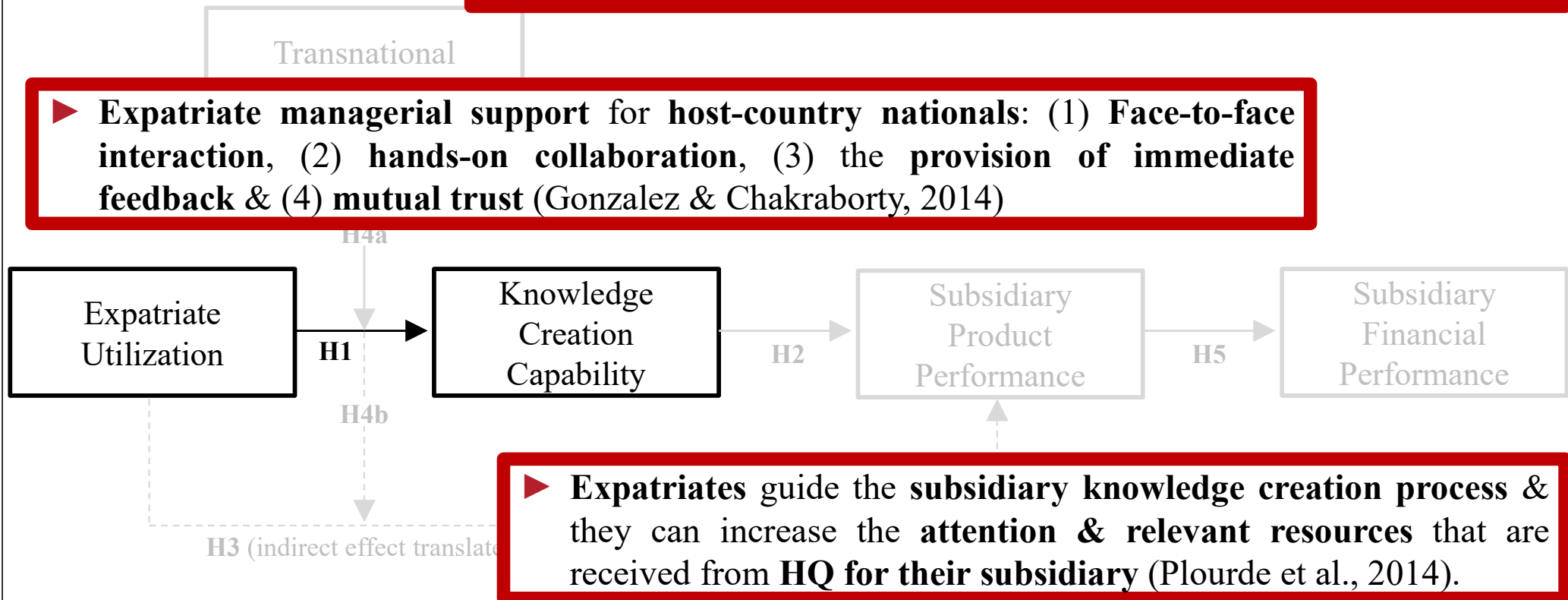
Source: Own illustration.

Theory & Hypotheses

■ Hypothesis 1

► **Expatriates** who are motivated & competent in knowledge transfer can **identify the best people or units to consult** & can enable access to foreign knowledge of specific relevance to a subsidiary's needs via the **expatriate's social ties across the MNC** (Berry, 2015).

► **Expatriate managerial support for host-country nationals:** (1) **Face-to-face interaction**, (2) **hands-on collaboration**, (3) the **provision of immediate feedback** & (4) **mutual trust** (Gonzalez & Chakraborty, 2014)

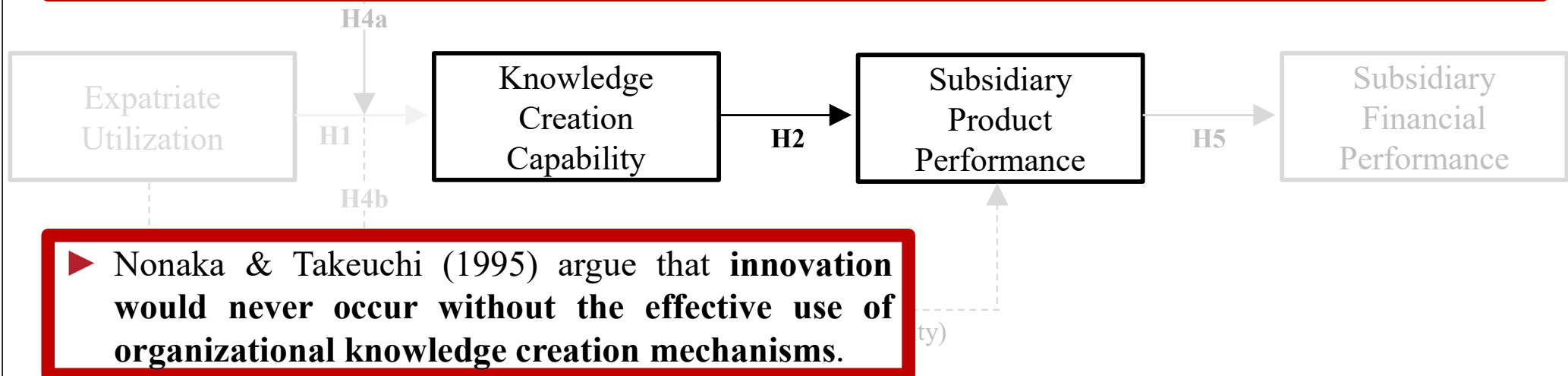


Source: Berry (2015), Gonzalez & Chakraborty (2014), & Plourde et al. (2014).

Theory & Hypotheses

■ Hypothesis 2

- ▶ **An organization's ability to produce new knowledge & inventions involves social complexity, in terms of intensive interactions among multiple actors & interplays of knowledge flows from various sources (Nonaka, 1994), which could be a barrier to imitation by competitors (Wright, McMahan & McWilliams, 1994).**



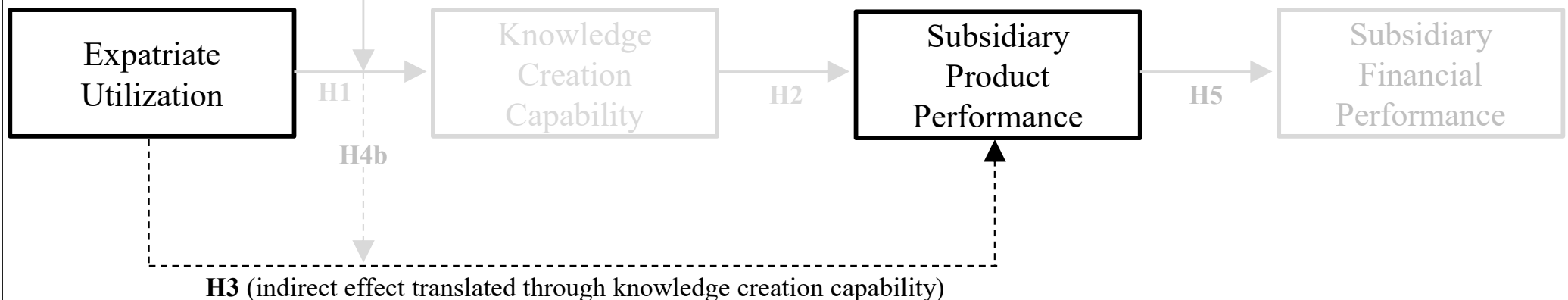
Source: Nonaka & Takeuchi (1995), Nonaka (1994), & Wright, McMahan & McWilliams (1994).

Theory & Hypotheses

■ Hypothesis 3 (Mediation Effect)

- ▶ As the knowledge can be created through **extensive interactions between the competent expatriates, local employees & the complex process of customizing & translating MNC & local knowledge in line with cross-national contexts**, it is more difficult for competitors to copy (Chang et al., 2012; Choi & Johansson, 2012).

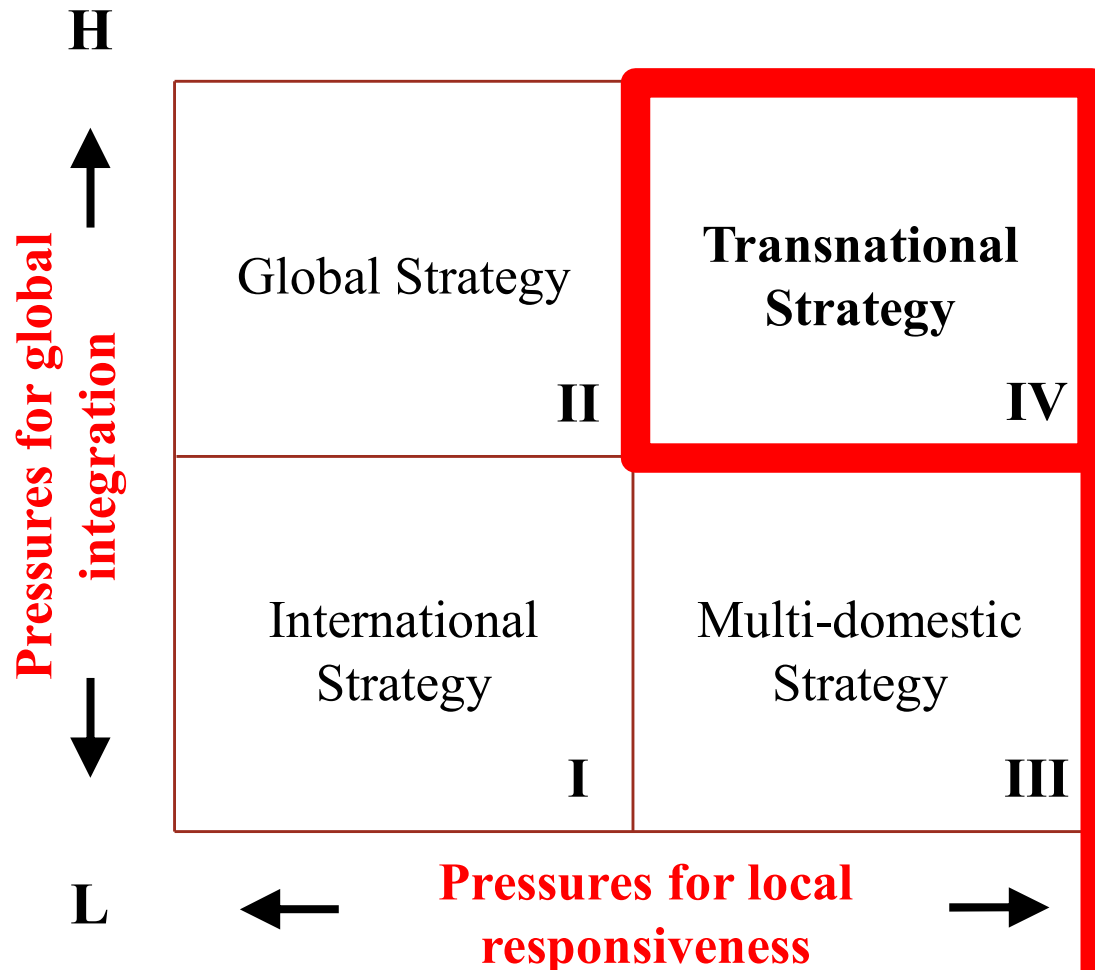
- ▶ The actual value of expatriate managerial knowledge capacity may **NOT be optimized unless the receiving subsidiary has the ability to convert valuable knowledge resources into differentiated products & services**.



Source: Chang et al. (2012) & Choi & Johansson (2012).

Theory & Hypotheses

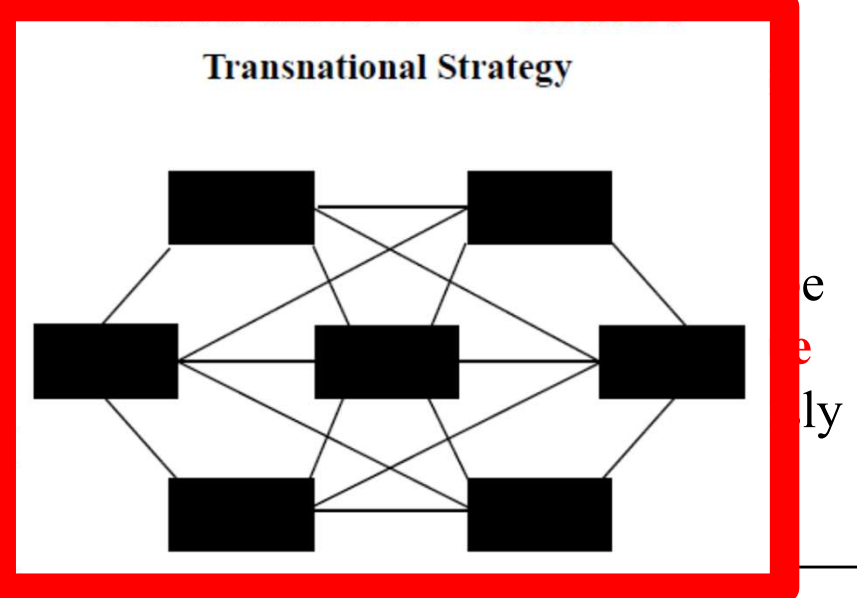
■ Hypotheses 4a & 4b (Bartlett & Ghoshal's GI-LR Model)



COMMENTS

Quadrant I: ... leverages home country-based **core competencies**.

Quadrants II: ... champions **worldwide consistency & standardization**.



Source: Own illustration based on Bartlett & Ghoshal (1989).

Theory & Hypotheses

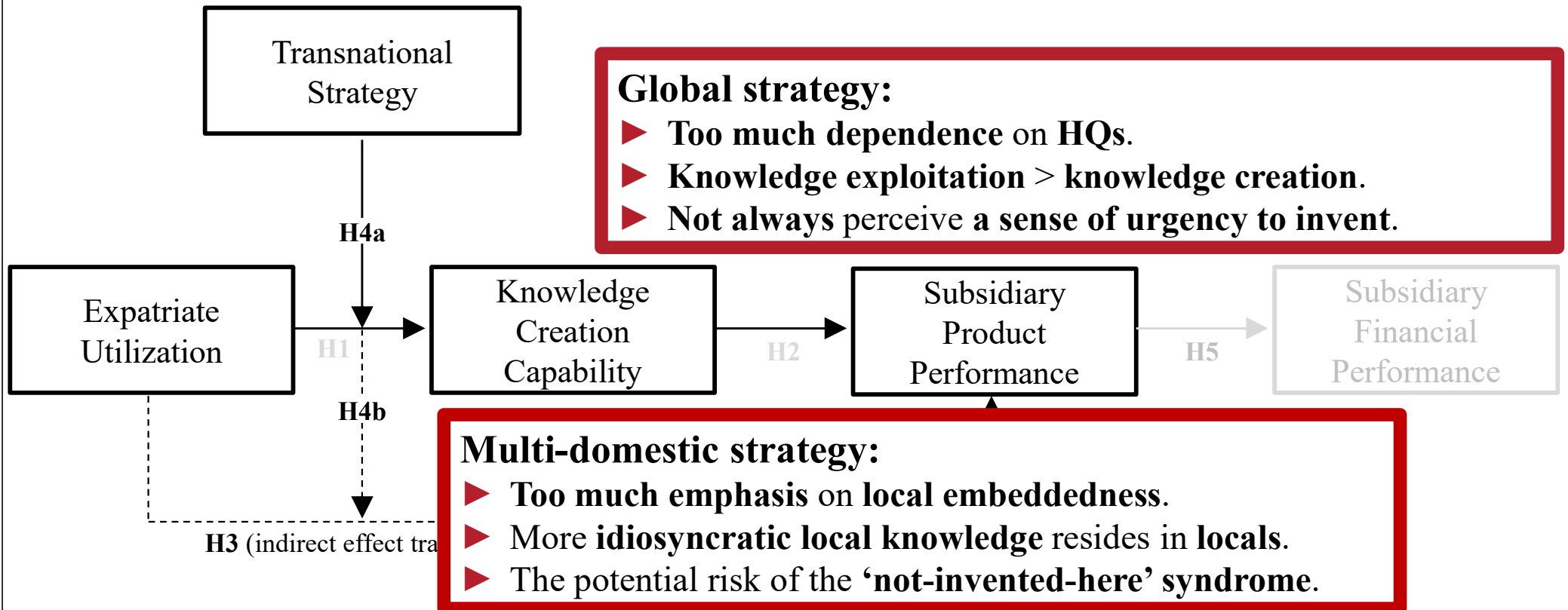


■ Knowledge Management in '4' Types of MNCs

Strategy	Home replication	Localization	Global standardization	Transnational
Interdependence	Moderate	Low	Moderate	High
Role of foreign subsidiaries	Adapting & leveraging parent company competencies	Sensing & exploiting local opportunities	Implementing parent company initiatives	Differentiated roles by subsidiaries to integrate worldwide operations
Development & diffusion	<i>Knowledge</i> developed at the centre & transferred to subsidiaries	<i>Knowledge</i> developed & retained within each subsidiary	<i>Knowledge</i> mostly developed & retained at the centre & key sites	<i>Knowledge</i> developed jointly & shared worldwide
Flow of knowledge	Extensive flow of <i>knowledge</i> & people from HQs to subsidiaries	Limited flow of <i>knowledge</i> & people in both directions	Extensive flow of <i>knowledge</i> & people from centre & key locations to subsidiaries	Extensive flow of <i>knowledge</i> & people in multiple directions

Theory & Hypotheses

■ Hypotheses 4a & 4b (Bartlett & Ghoshal's GI-LR Model)



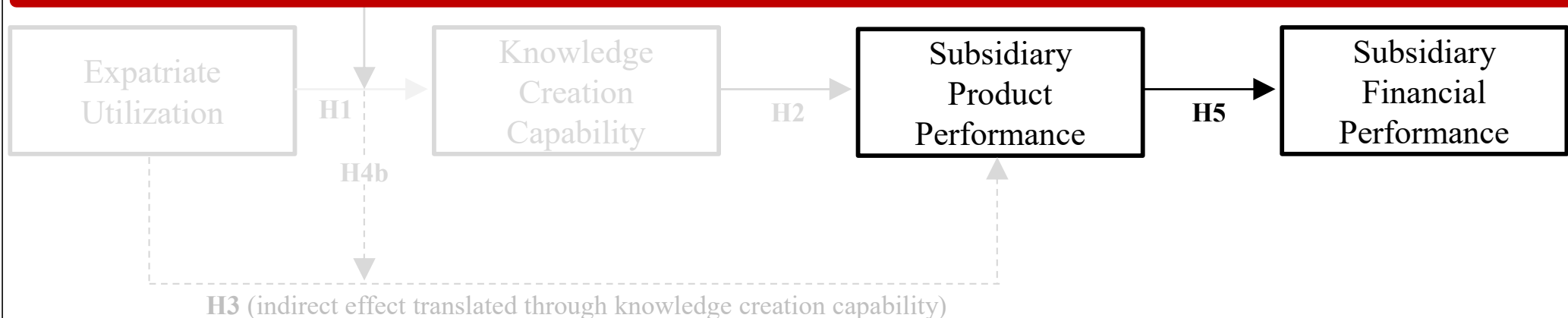
Source: Andersson et al. (2005), Bartlett & Ghoshal (1989), Harzing (2000), Hocking et al. (2007), Lin et al. (2014) & Meyer & Su (2015).

Theory & Hypotheses

■ Hypotheses 5

- ▶ Firms with more unique products & greater technological breakthroughs can capture new market demands & prohibit competitive imitation by rival organizations, in turn bolstering their financial strength (Lieberman & Montgomery, 1988).

- ▶ Introduction of new products, services & methods signals to consumers & industrial clients that firms emphasize the importance of enhancing customer loyalty (Calantone, Chan & Cui, 2006; Stock & Zacharias, 2013).



Source: Calantone, Chan & Cui (2006), Lieberman & Montgomery (1988) & Stock & Zacharias (2013).



■ Analytical Strategy

- ❖ **Data source:** **1,000** questionnaires (based on Directory of Japanese Companies around the Globe 2014, *Toyo Keizai Kunibetsu hen* 2014)
- ❖ **Sample:** **114** Japanese MNC subsidiaries in Europe
- ❖ **Type of data:** **Primary** data
- ❖ **Research goal:** To examine the **complex mechanisms** through which **expatriate** managers' capacity to **transfer knowledge** affects the **performance** of MNC subsidiaries
- ❖ **Methods:** **Partial Least Square** (namely, Smart-PLS); **PROCESS macro for SPSS** (Hayes, 2013)



■ Tackling the Issue of Common Method Variance (CMV)

❖ Pre- & Post Remedies

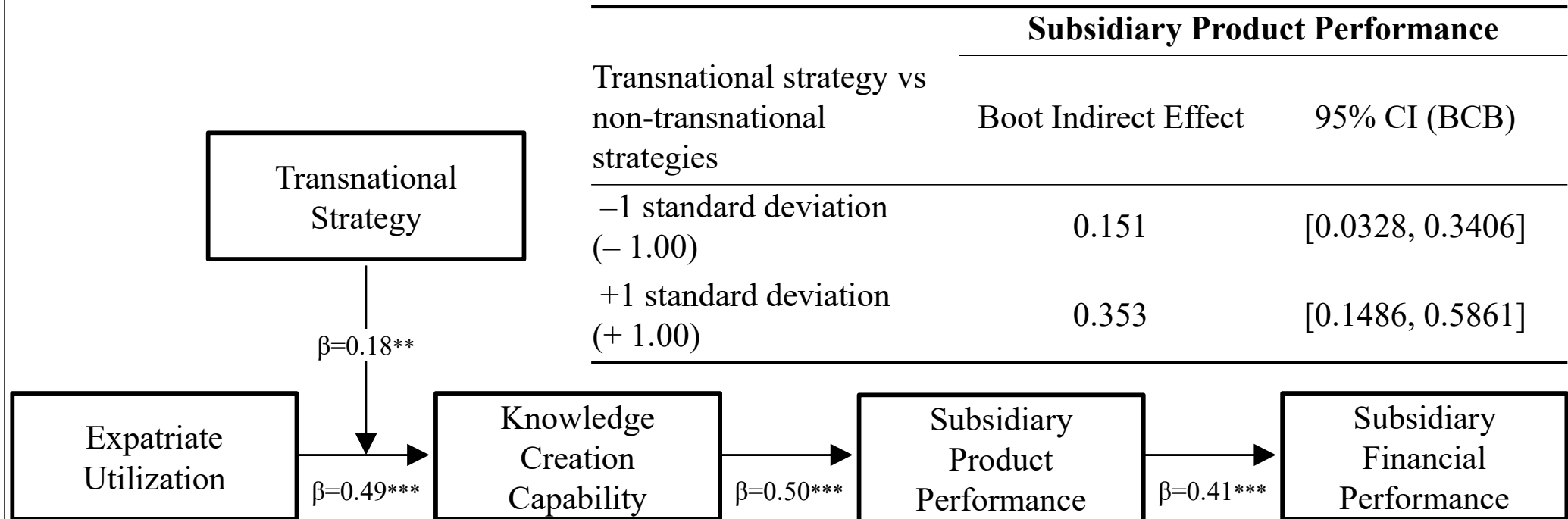
- The respondents will not perceive the detailed content of each construct due to the **mix order of the questions** (Chang et al., 2010).
- Our questionnaire items are **trimmed** to promote **clarity** & increase respondents' **comprehension** (Podsakoff & Organ, 1986).
- **Harman's (1967) single factor test** (The proportion of the variance explained by the first factor did **not exceed 50%** indicating again that CMV was not a major concern.).
- Our self-report styled survey is a reliable paper-&-pencil survey instrument since it ensures respondent **anonymity & confidentiality** as compared to face-to-face interviews (Richman et al., 1999).
- **The transnational strategy variable** was created in a **complex manner**, Moreover, **respondents** may **not** be able to **visualize the interaction effect** with expatriate knowledge transfer (Chang et al., 2010).

Source: Chang et al.. (2010), Richman et al., (1999), Podsakoff & Organ (1986) & Harman (1967).

Empirical Results



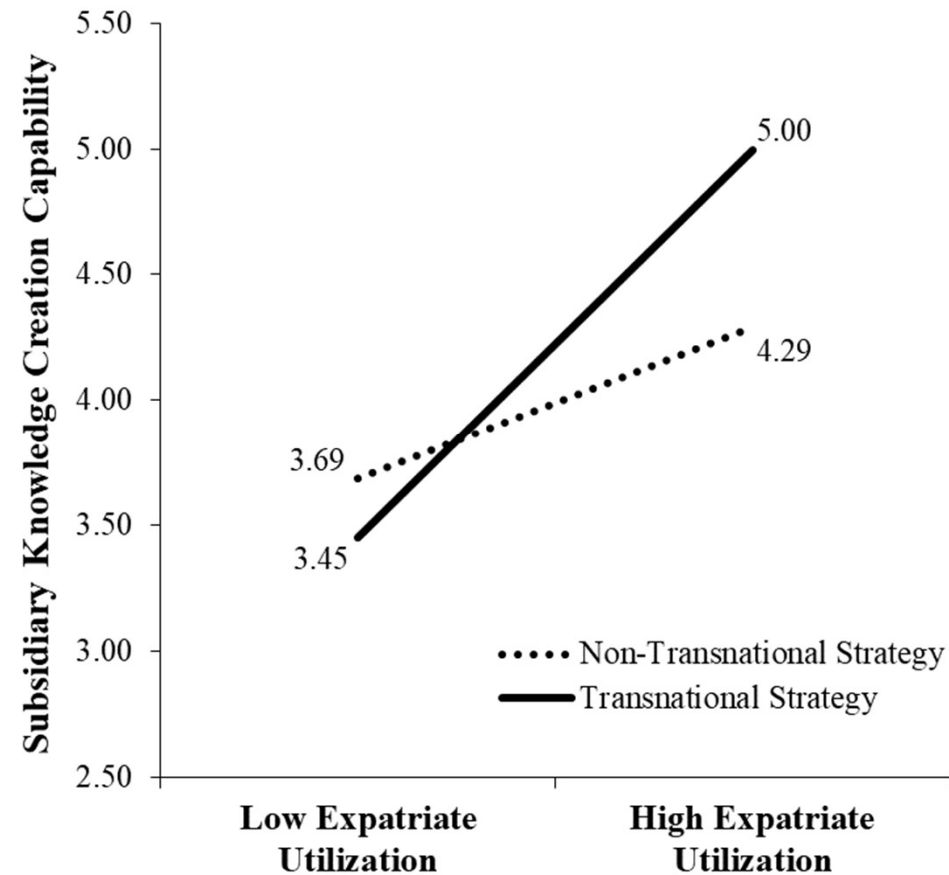
■ Structural Model



Source: Own calculation based on partial least square structural equation modelling (PLS-SEM), & Hayes (2013).



■ Moderating Effect of Transnational Strategy



Source: Own illustration.



■ Discussions

❖ Theoretical Implications?

- This study challenges the **traditional view** in the MNC literature – that **subsidiaries act as passive receivers of knowledge from the parent company** – by claiming that expatriate knowledge transfer capacity can facilitate subsidiary knowledge creation capability.
- This research synthesized the **knowledge creation & learning perspective on expatriation & Bartlett and Ghoshal's (1989) framework** of international strategies of MNCs in theorizing & explaining the complex interplay between expatriation, knowledge creation, & subsidiary performance.
- Our study complements the literature on the **expatriation–performance relationship** by showing the performance effects of expatriation, particularly with **subsidiary knowledge creation as a mediator**.



■ Discussions

❖ Managerial Relevance?

- **MNC leaders** should understand that **reinforcing subsidiary knowledge creation capability** is a **crucial mechanism** that enables the transformation of knowledge assets transferred by **expatriate managers** into a subsidiary's competitive advantage.
- To maximize the value of expatriate knowledge transfer capacity, MNCs should better strive to **design & execute a strategy** that allows them to leverage the benefits of **global efficiencies, local responsiveness & organizational learning** (namely, **transnational strategy**), simultaneously.



■ Discussions

❖ Limitations & Suggestions for Future Research? (1/2)

- The empirical results presented in our study may be vulnerable to the issue of **reverse causality** due to the cross-sectional nature of our data.
 - One could argue that **a subsidiary's knowledge creation capability** may encourage **expatriates to integrate home-country specific knowledge**.
- Future research should address the issue of **how new technical & management knowledge created by focal subsidiaries is transmitted back to a parent company & peer subsidiaries** through **repatriates & inpatriates** (local employees' short visits) within the MNC network.
- Future research should adopt **a longitudinal research design** so as to capture **the dynamic interactions involved in the creation of knowledge from the parent company at the individual & cross-functional levels**. In other words, **multi-level longitudinal analyses** should be conducted to grasp the complexity of the intra-unit interactions.



■ Discussions

❖ Limitations & Suggestions for Future Research? (2/2)

- We were unable to examine how the **efficiency & effectiveness of subsidiary-level knowledge creation capability** vary according to:
 - **Various types of knowledge** (*e.g.*, technological vs managerial knowledge or tacit vs. explicit knowledge) that expatriates transfer from the parent;
 - **The duration** of the international assignment; &
 - **Different categories/purposes** of international assignees.
- Enhancing the predictive validity of our findings requires relying on **multiple respondents from each subsidiary**, although the subsidiary financial performance items were assessed by local managers.
- Future research should consider the use of **objective performance data**.

“Kent Chemical: Organizing for International Growth”

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■ Discussion Points

- ❖ What is the **main argument**?
- ❖ **Characterize Kent Chemical** in terms of **business lines**.
Interpret the balance sheet (Exhibit 1) with care.
- ❖ **Assess Kent Chemical's internationalization** strategy.
- ❖ **Clarify the root cause of the problem** relating to Kent Chemical's **reorganization** process. Discuss **effective ways** to **integrate KCI with KCP** in detail.
- ❖ What **practical suggestions** can be drawn from this case?

The End of Today's Lecture



ご清聴有難う御座いました。

Thank you so much!

Vielen Dank für Ihre Aufmerksamkeit!

Grazie mille !

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