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■ A Driver of Firm Internationalization

❖ **Expatriates:** A person residing in a country & take positions outside their home country.





■ Is International Assignment Good for Career Trajectory?

Positive career outcomes

- Greater '**RESPONSIBILITIES**'.
- Career '**PROGRESSION**'.
- '**SKILL**' improvement & '**EXPERTISE**'.
- Cultural '**AWARENESS**'.
- '**CONFIDENCE**' in overcoming challenges.
- '**CREATIVITY**' through new ways of doing things.

Negative career outcomes

- '**SLOW TO REWARD**' a manager's successful international experience with expanded leadership responsibilities.
- '**NO GUARANTEE**' for a promotion.
- The '**GAP**' between "*life at home*" versus "*over there*" can create professional, family, & personal problems.
- Expatriates' '**DISSATISFACTION**' with the degree to which their companies recognize their accomplishments.

How to keep the tension between

these “2” aspects?



■ What is the Major Role of Expatriates?

❖ Knowledge Transfer

- Smooth transfer of **technology, knowledge, knowhows & expertise** from the HQs to its foreign subsidiaries.
- Expatriates ensure **the quality of products & services** offered in the local market in line with **the expected standards set by the HQs.**

❖ Control

- Operational & financial oversights.

❖ Learning

- Expatriates accumulate knowledge of foreign operations & learn effective best practices in different cultural & market environments.

❖ Cross-Border Communication

- Expatriates act as **coordinators** to promote **information sharing** in horizontal & vertical relationships within the MNC network.

Source: Oki (2017).



■ '2' Types of Knowledge Transfer Performance

❖ Knowledge Transfer Effectiveness

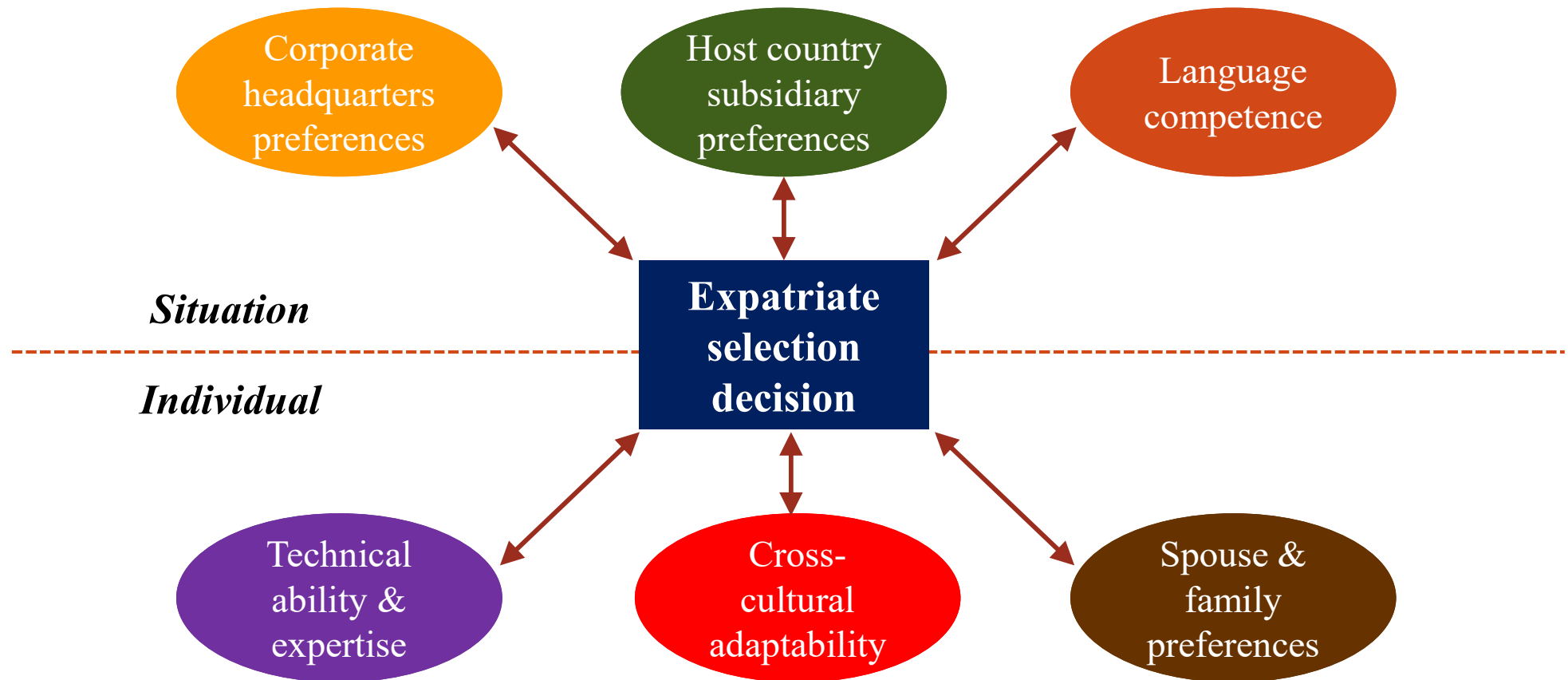
- **Comprehension:** The new knowledge that a subsidiary acquires from the parent company is complete enough that it is able to become proficient with it?
- **Usefulness (= Quality):** A subsidiary is very satisfied with the quality of the knowledge the parent company provides.

❖ Knowledge Transfer Efficiency

- **Speed:** The new knowledge is transferred from the parent company in a timely fashion.
- **Economy:** The acquisition & implementation of the new knowledge from the parent company does not require the utilization of too many resources of a subsidiary.

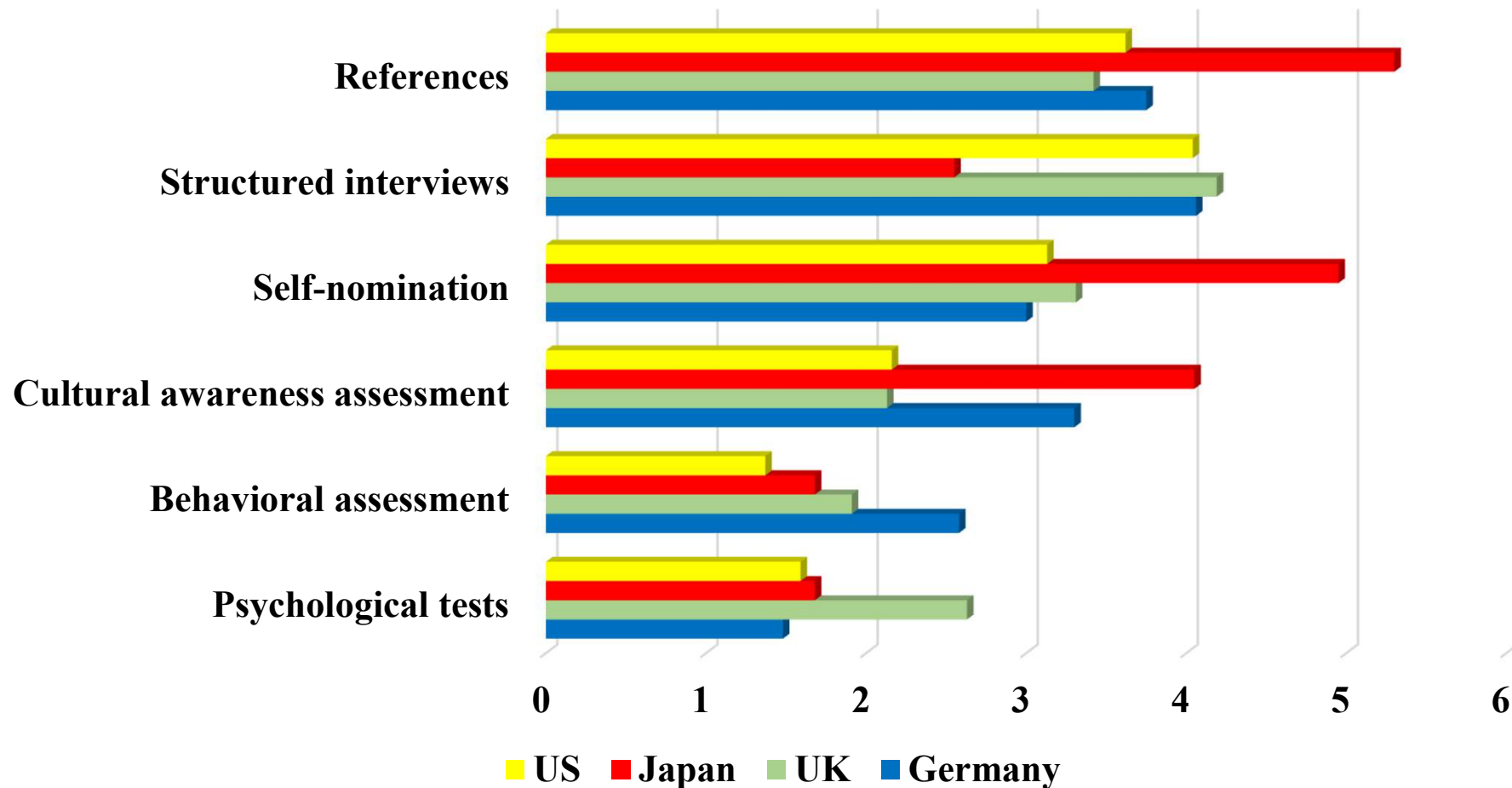


■ Key Factors in Expatriate Selection?





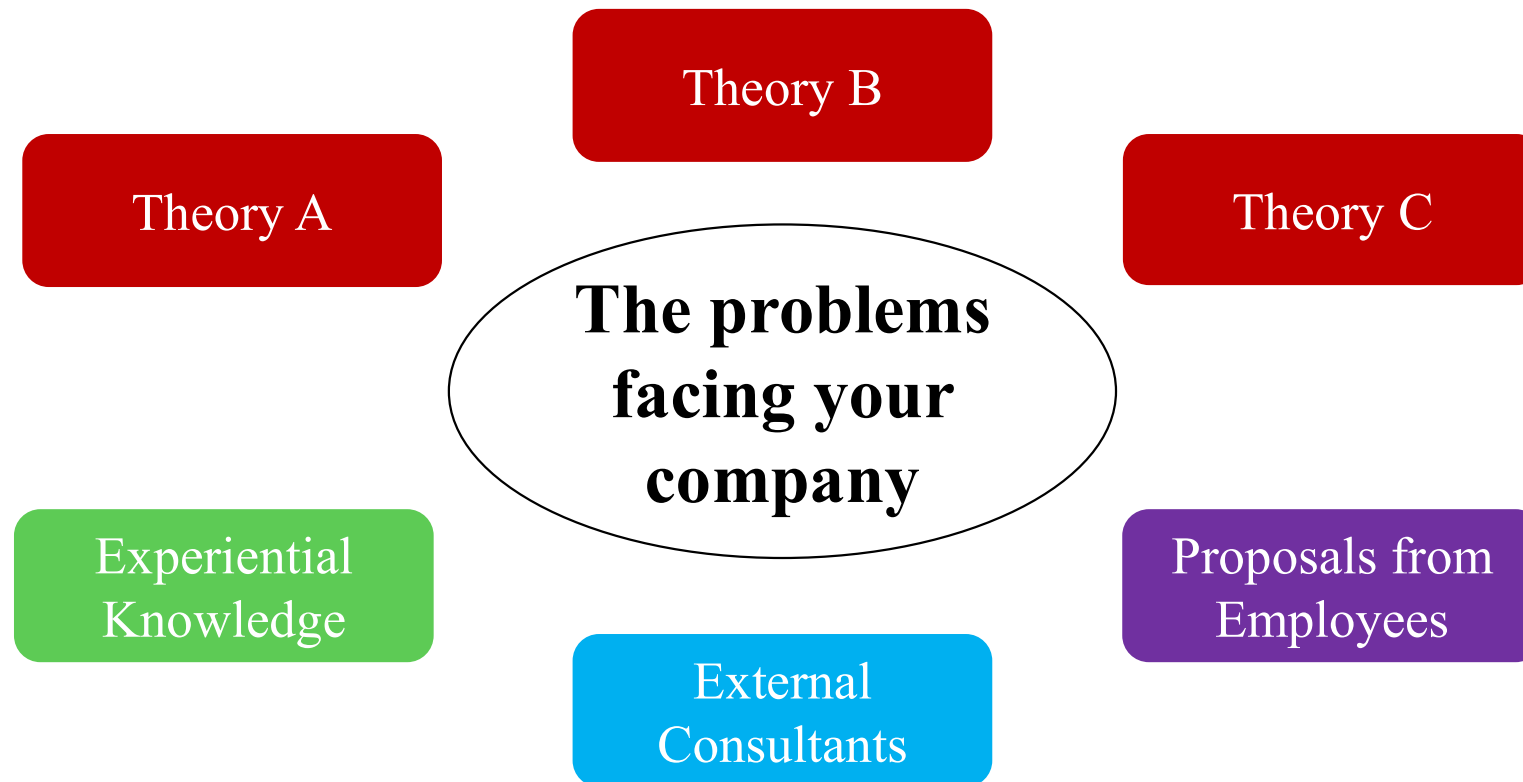
■ Regularity of Using the Following Selection Methods?



Source: Tungli & Peiperl (2009: 161).

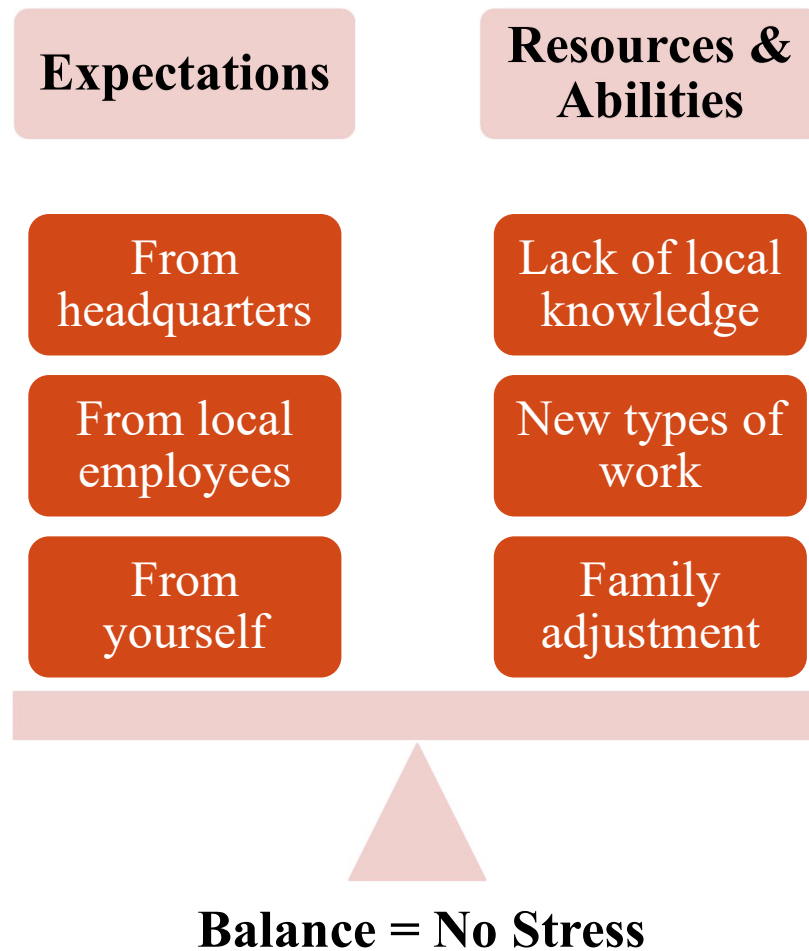


■ Be a Great Strategist who Makes Efficient Use of Different Theoretical Frameworks !





■ Sources of Stress for Expatriates?

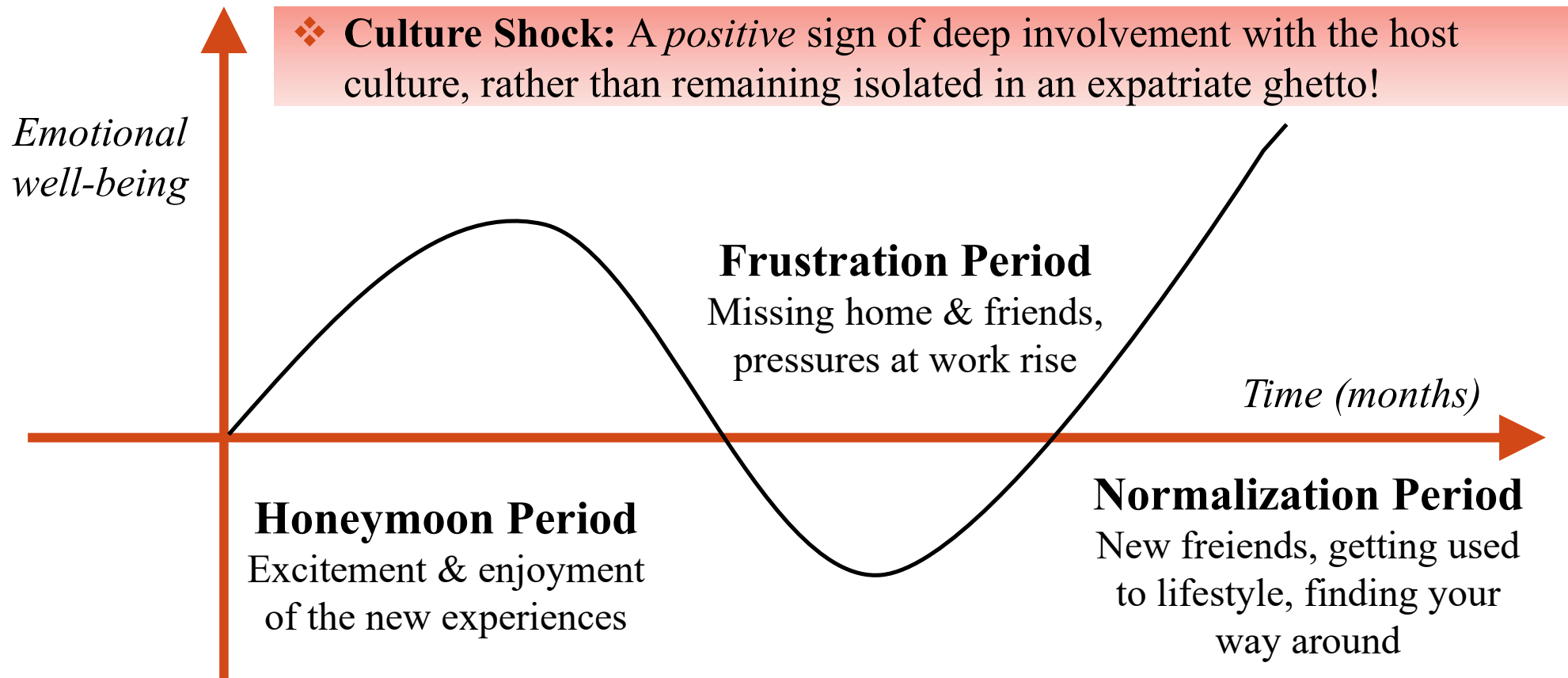


KEY COMMENTS

- > Many of the practical challenges or expatriates are similar to experiences of **students going abroad on exchange**.
- > Arriving at the place of an international assignment, the **initial concerns** are usually very **practical matters**:
 - Who does what?
 - Who is who?
- > **Our cognitive systems of interpreting what is happening is grounded in our culture.**
- > The **imbalance** between the effectiveness of your **action** & your **expectations** causes **expatriate stress**.



■ Culture Shock: From Honeymoon to Normalization



- ❖ **Solutions:** (1) Physical exercise, (2) meditation & relaxation techniques, & (3) 'stability zones' such as groups in your own cultural community.

Reviewing the Lecture Materials (From WEEKS 4-7)

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Reviewing the Lecture Materials (W4-W6)



■ Key Topics

- ❖ **Cross-Border M&As** (*e.g.*, motives, success factors, transformational acquisition, orphan syndrome etc.)
- ❖ **Factors for Acquisition Success & Failure**
- ❖ **Expatriate-Led Knowledge Transfer**
- ❖ **HQs-Subsidiary Relations** (*e.g.*, Lundbeck in Korea)
- ❖ **Organizational Structure** (*e.g.*, Kent Chemical)
- ❖ **Emerging MNCs** (*e.g.*, Arcelik, Bharti Airtel, Xiaomi etc.)
- ❖ **Doing Business in Emerging Economies** (*e.g.*, Eli Lilly in India, McDonald's in India etc.)

Factors for Acquisition Success & Failure



■ Cadbury Schweppes & Adams

- ❖ Cadbury Schweppes' **transformational acquisition** of Adams.
 - CS (Leader in the confectionary & soft drinks market).
 - Adams (A division of Warner-Lambert that merged with Pfizer).
- ❖ **Why** was Adams (“**orphan syndrome**”) acquired by CS?
 - **Rapid consolidation** of related businesses = Need for CS to acquire Adams / No need for Pfizer to preserve Adams = **global focusing**.
 - **No geographical overlaps** = **CS**: North America & **A**: South America.
 - **Functional synergies** = **CS**: aggressive marketing & **A**: R&D capacity.
- ❖ **Serendipity**: Unexpected & lucky discoveries / the ability to capitalize on good luck in making fortunate discoveries.

Factors for Acquisition Success & Failure



■ Why Acquisitions Often Fail?

Pre-acquisition: Overpayment for Targets

- > Managers **OVERESTIMATE** their ability to create value.
- > **INADEQUATE** pre-acquisition screening.
- > **POOR** strategic fit.
- > **LACK** of familiarity with foreign cultures, institutions & business systems.
- > **NATIONALISTIC** concerns against foreign takeovers (political & media levels).

Post-acquisition: Failure in Integration

- > **POOR** organizational fit.
- > **FAILIURE** to address multiple stakeholder groups' concerns.
- > **CLASHES** of organizational cultures linked to clashes of national cultures.
- > **NATIONALISTIC** concerns against foreign takeovers (firm & employee levels).



The case of **Daimler-Chrysler**: Little organizational fit (e.g., American managers resented the dominance of German managers).

Factors for Acquisition Success & Failure



Organizational Change	Nissan: Ghosn (I)	Mitsubishi: Eckrodt (II)
Cost-cutting measures	<ul style="list-style-type: none"> • Reduce production capacity by closing down 5 factories. • Breakup of <i>kreiretsu</i> supplier systems. 	<ul style="list-style-type: none"> • Cut material costs by 15%. • Reduce the number of platforms by 50%. • Close down a factory. • Dump inefficient suppliers. • Selling assets.
Changes in HRM practices	<ul style="list-style-type: none"> • Performance-based incentive. • New hire at higher entry salaries. • Hiring employees in alignment with change vision. • Promotion based on change vision. 	<ul style="list-style-type: none"> • Elimination of promotion based on seniority. • Breaking with Japanese norms of lifelong employment. • Appointment of new, young German executives.
Approaches to implementing teams	<ul style="list-style-type: none"> • Cross-company teams (CCTs). • Cross-functional teams (CFTs). • Engagement in frequent meetings with CFTs & management. 	<ul style="list-style-type: none"> • Several small CCTs, but with uncertainty of responsibility. • No Japanese executive was involved in top management decisions.

Source: Gill (2012).

Factors for Acquisition Success & Failure



Leader Authenticity	Nissan: Ghosn (III)	Mitsubishi: Eckrodt (IV)
Self-awareness	<ul style="list-style-type: none"> Ghosn was aware how his actions would impact on employees. Understanding that Nissan employees would see him as an outsider. 	<ul style="list-style-type: none"> Eckrodt misread yes as “I heard you” > “I agree”) He falsely assumed that Mitsubishi managers were committed to the changes he was trying to make.
Balanced-processing	<ul style="list-style-type: none"> Ghosn was friendly & wanted to talk to people & learn. Ghosn ensured that a wide range of voices were heard. 	<ul style="list-style-type: none"> Eckrodt failed to gather information, including employee passive resistance.
Transparency	<ul style="list-style-type: none"> Ghosn spoke openly about problems & results. Worth hearing dissension. Communication with the press. 	<ul style="list-style-type: none"> Eckrodt seldom gave interviews. Eckrodt failed to generate the trust required for change.
Ethical/moral conduct	<ul style="list-style-type: none"> Ghosn’s words & actions were consistent; role model/clear strategy/rigorous execution. 	<ul style="list-style-type: none"> Plans were not consistently executed; too laid back & informal; marionettes by HQs.

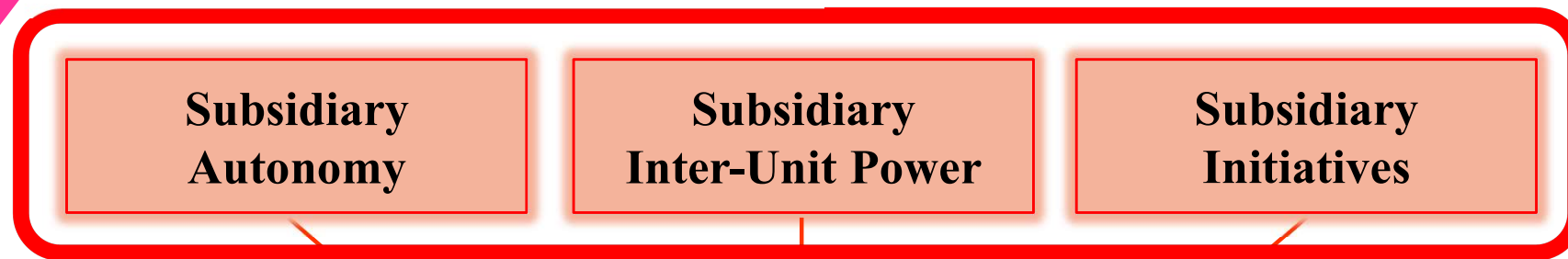
Source: Gill (2012).

HQs-Subsidiary Relations

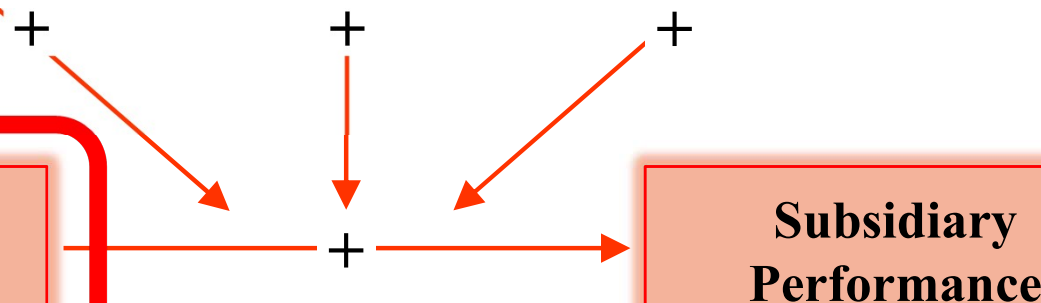
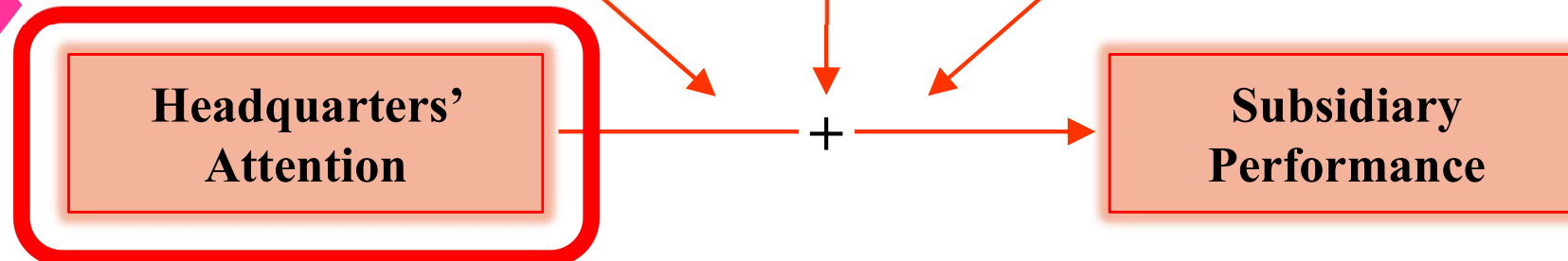


■ Conceptual Framework

➡ Strategic Configurations

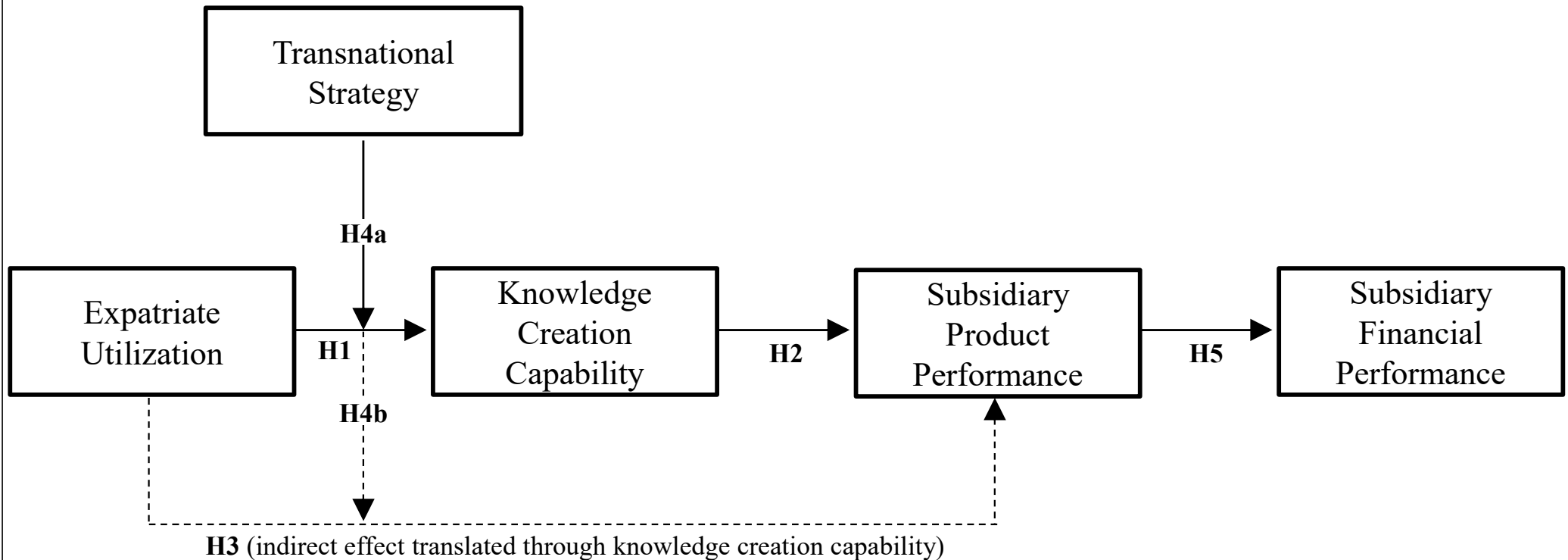


➡ A Scarce Resource



Expatriate-Led Knowledge Transfer

■ Proposed Research Model

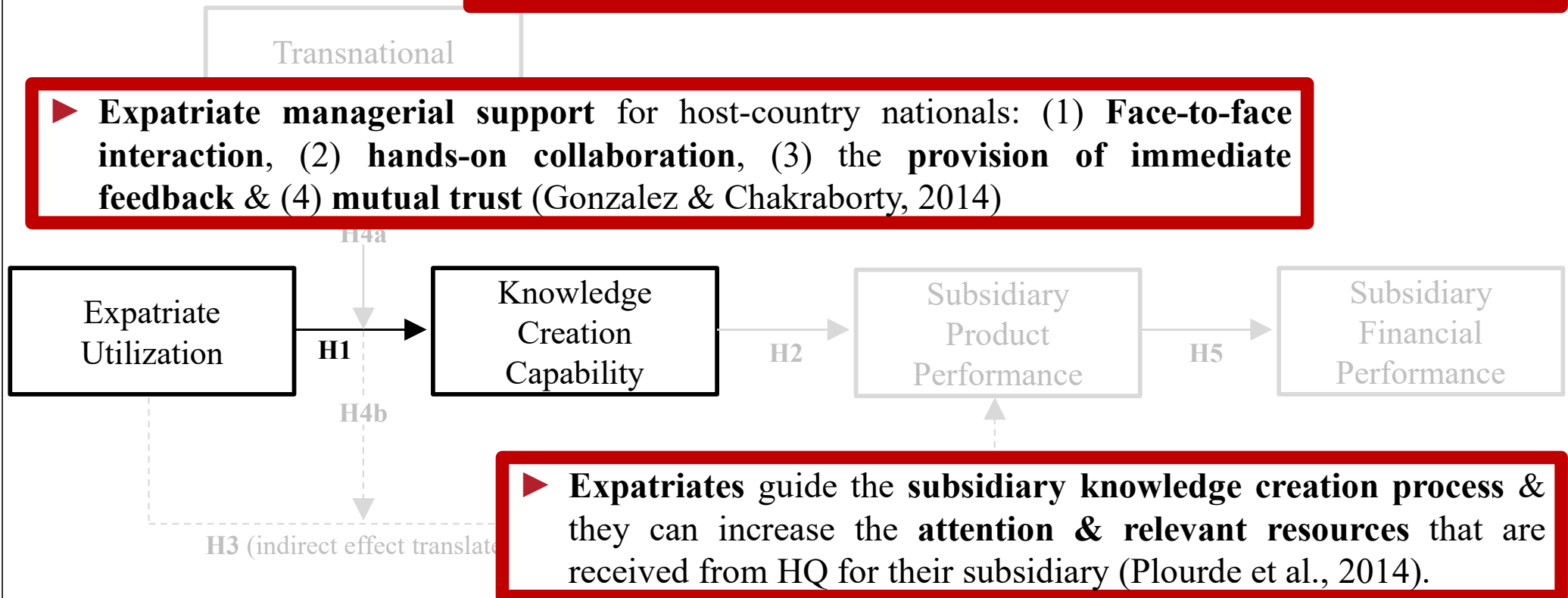


Source: Own illustration.

Expatriate-Led Knowledge Transfer

■ 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).

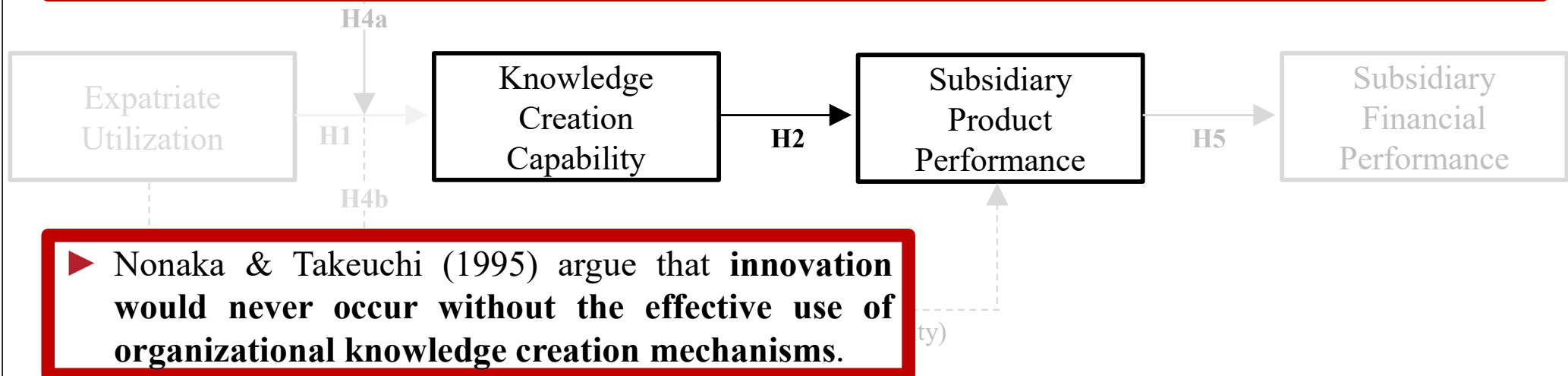


Source: Berry (2015), Gonzalez & Chakraborty (2014), & Plourde et al. (2014).

Expatriate-Led Knowledge Transfer

■ 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).**



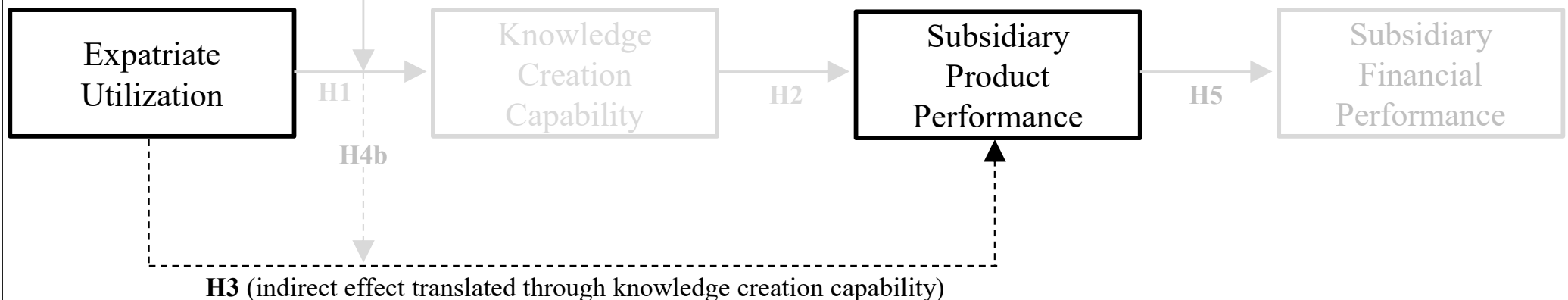
Source: Nonaka & Takeuchi (1995), Nonaka (1994), & Wright, McMahan & McWilliams (1994).

Expatriate-Led Knowledge Transfer

■ 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).

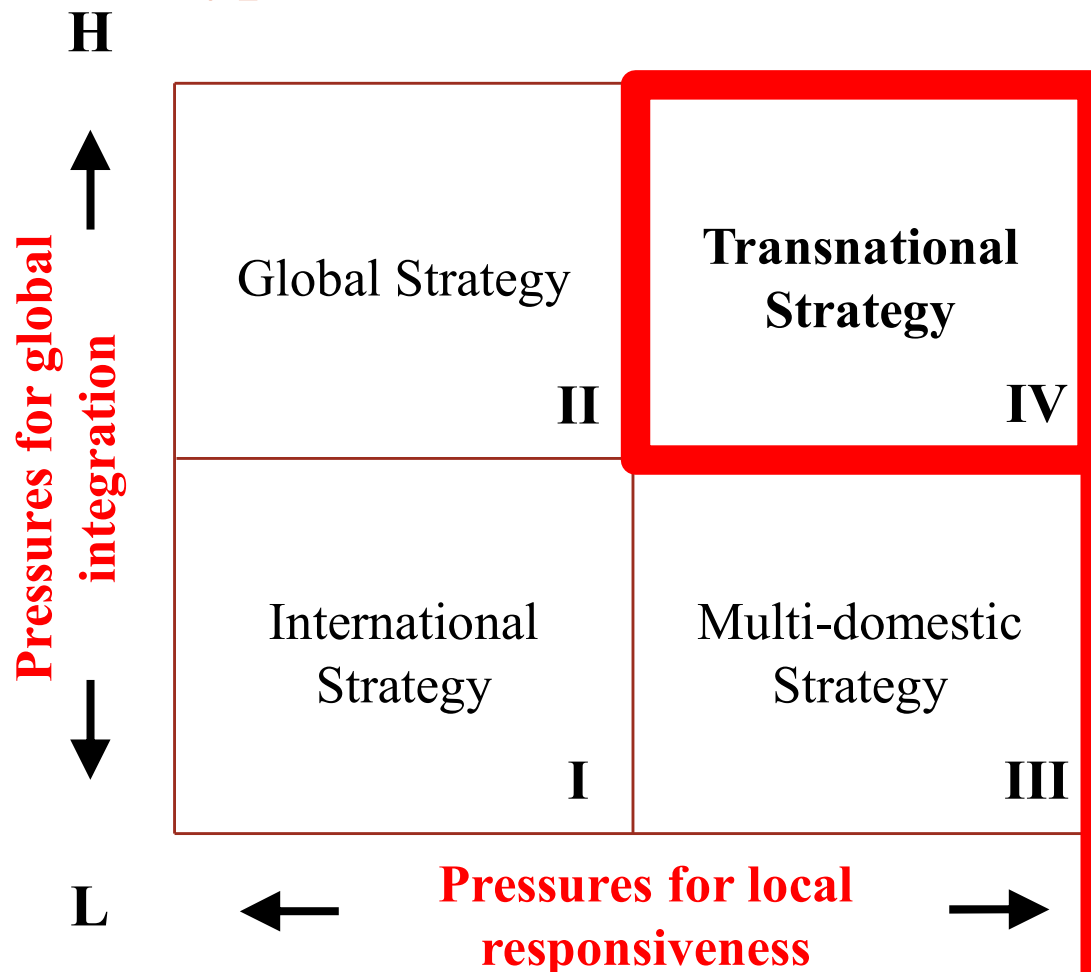
► The actual value of expatriate managerial knowledge capacity may **NOT be optimized unless the receiving subsidiary has the ability to convert valuable knowledge resources into differentiated products & services**.



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

Expatriate-Led Knowledge Transfer

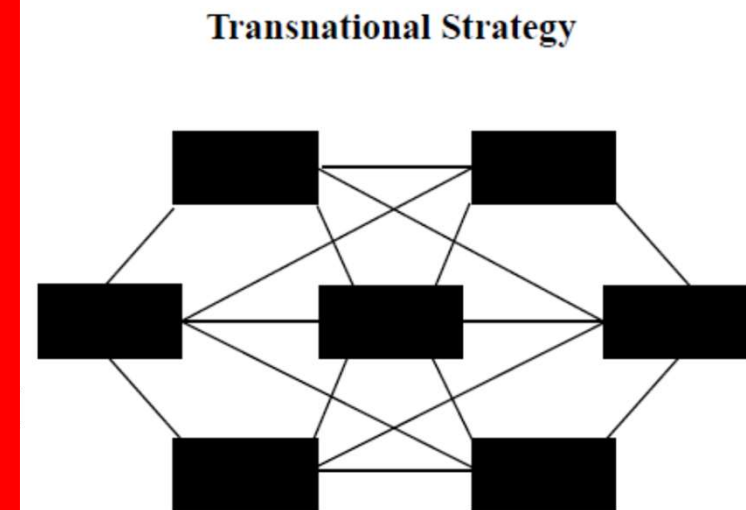
■ Hypotheses 4a & 4b (Bartlett & Ghoshal's GI-LR Model)



COMMENTS

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

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



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

Expatriate-Led Knowledge Transfer

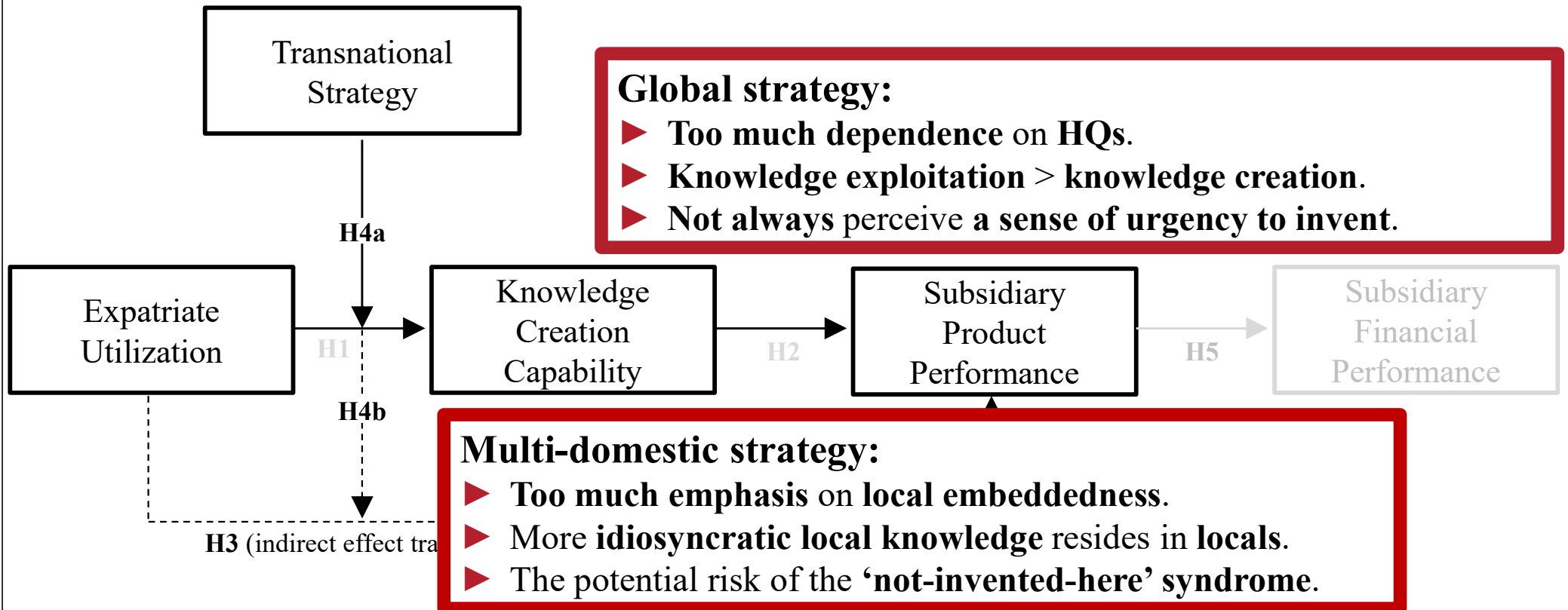


■ Knowledge Management in '4' Types of MNCs

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

Expatriate-Led Knowledge Transfer

■ 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).



■ Due Diligence

❖ WHAT Questions Should be Asked?

- **WHAT** is the ultimate goal for the venture? Is it permanent or short measure? Is it location specific? Industry specific?
- **WHAT** is the time frame for its setup & milestones?
- **WHAT** is success being measured upon (e.g., financial, knowledge transfer, full employment)?
- **WHICH** resources should be both used?
- **WHAT** are the time frames of resource commitment?
- **HOW** is information going to be shared?
- **HOW** are interests to be protected? **WHAT** controls are in place to ensure compliance?

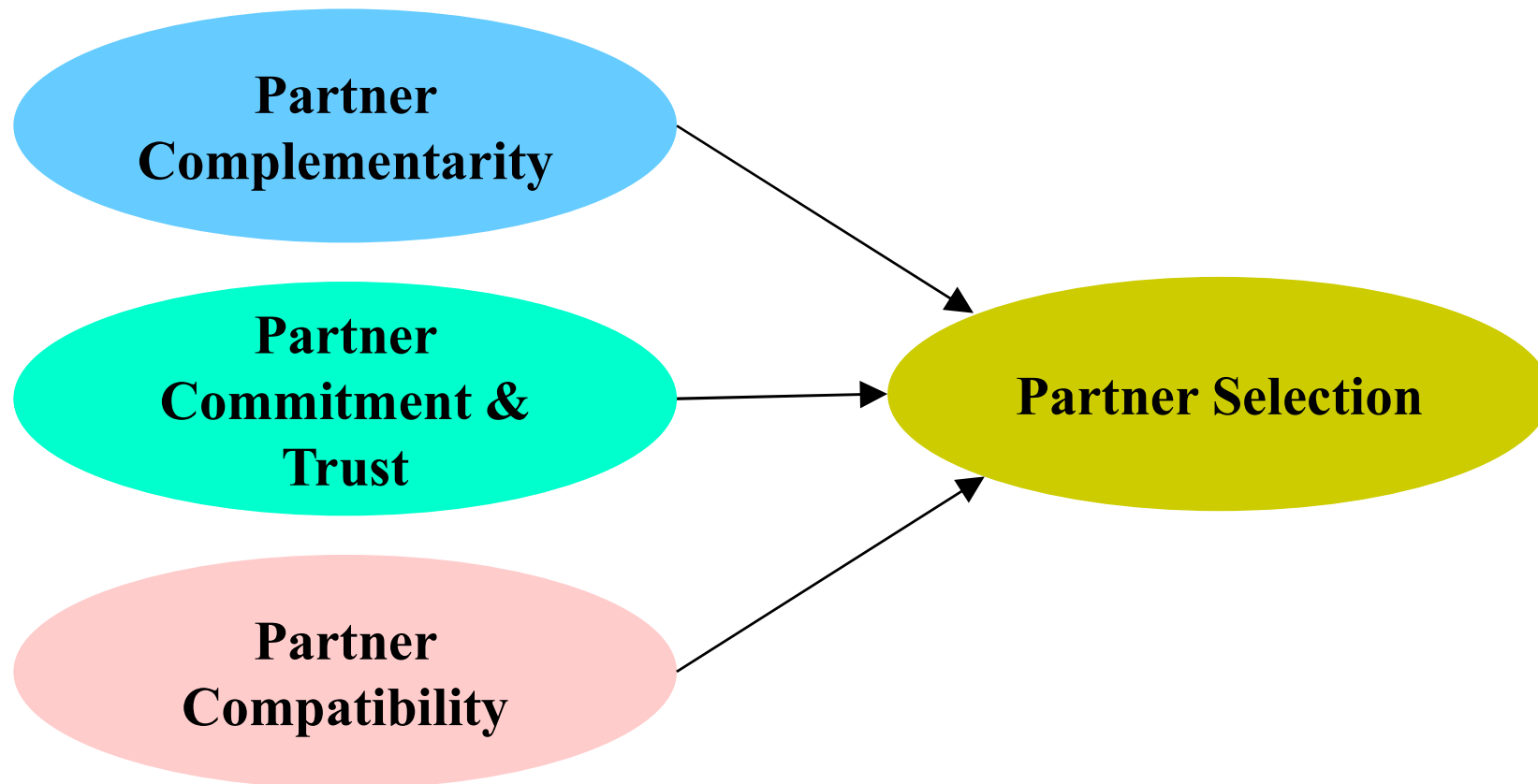
Source: Hubbard (2013).

McDonald's Reinvents Itself in India



■ Key Success Factors in JVs

❖ Partner Selection



Source: : Instructor's illustration based on Hubbard (2013).

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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