

# Can Knowledge Transfer Be Considered Expatriate Success

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## Abstract

This paper endeavours to study expatriate success through one of the primary roles of expatriate, that is, knowledge transfer. This present research was designed to analyze expatriate capability, that is, their ability and willingness to transfer both technical and managerial knowledge to the subsidiary. This study identifies the tools for transfer knowledge and finally, examines the relationship between expatriate motivation and their use of knowledge transfer tools. The findings indicate that managerial and functional skills are important for effective expatriate knowledge transfer in the subsidiaries. The results also show that there is a significant relationship between expatriate motivation and using face-to-face interactions for transferring knowledge. These findings have implication for corporate managers designing strategic policies and practices facilitating expatriate knowledge transfer in the subsidiaries.

**Keywords:** Knowledge transfer, Expatriates, Abilities, Motivation, Tools of knowledge transfer

## 1. Introduction

An important competitive advantage of Multi-National Companies (MNCs) lies in their ability to create and transfer knowledge from headquarters to subsidiaries and vice versa. MNCs often use expatriates to transfer knowledge from headquarters to subsidiaries and such knowledge is believed to be vital to subsidiary performance. This knowledge transfer to a subsidiary, however, depends on expatriate ability, motivation, and opportunity to perform the transfer. Moreover, internal

knowledge often being tacit is transferred through extensive interactions between expatriates and local employees in the subsidiaries. The challenge then, for MNCs is to accurately understand the cost versus benefit of using expatriates so as to effectively recruit expatriates who can use their capabilities to transfer knowledge while on international assignments so as to gain a competitive advantage and thus achieve higher subsidiary performance. Despite this, many MNCs still fail to achieve their targeted profitability level and growth levels. This could be attributed to incapability

of these expatriates in terms of failure to adapt to the environment, incompetence on how best to transfer the needed managerial and technical knowledge from the parent company to the subsidiary hence inability for the organization to effectively compete and thus continued poor financial performance. International staffing scholars have identified important expatriate roles, such as control, coordination and knowledge transfer (**Harzing, 2001**), and beyond technical knowledge and skills, socialize the subsidiary to the corporate culture in the subsidiary (**Harzing, 1999; Selmer & de Leon, 2002**). Moreover, knowledge transfer from the parent (besides shared vision, local responsiveness, and local adaptation) has been identified as one of the important intermediate mechanism through which expatriate staffing indirectly impacts a subsidiaries host market performance (**Colakoglu & Jiang, 2013**). **Leach (1994)** emphasized that for expatriates to function effectively as transferor; they must transfer appropriate up-to-date knowledge and skills in their current posts and prepare local employees to take over their duties when they leave. The latter requires making certain that local managers can consistently and effectively apply existing practical knowledge and skills to improving planning and organization within the institution, which means that local employees must have some managerial knowledge and skills to begin with. She found that when local employees had poor organizational and managerial skills, expatriates spent most of their time on administrative duties and directing the work of local managers, rather than transferring knowledge and skills to them. This paper endeavours to study expatriate success through one of the primary roles of expatriate, that is, knowledge transfer. This present research

was designed to analyze expatriate capability to transfer knowledge to subsidiary. This study identifies the tools for transfer knowledge and finally, examines the relationship between expatriate motivation and knowledge transfer tools. The findings indicate that managerial and functional skills are important for effective expatriate knowledge transfer in the subsidiaries. The results show that there is also a significant relationship between expatriate motivation and using face-to-face interactions for transferring knowledge. These findings have implication for corporate managers designing strategic policies and practices facilitating expatriate knowledge transfer in the subsidiaries.

## 2. Literature review

It is a common to find foreign companies in the developing countries managed or headed by expatriate managers from the home country whose management style is in accordance with their home country's culture. These expatriates are sent to a foreign country by MNCs with the intent to control their operations and to provide technical and administrative services (**Jun, Gentry, & Hyun, 2001**). Existing literature recognizes many advantages of staffing these subsidiaries with expatriates over host country nationals. Compared to their locally hired counterparts, expatriates are generally believed to have a better understanding and a greater commitment to overall corporate goals (**Doz & Prahalad, 1986; Kobrin, 1988**). Expatriates' familiarity with the corporate culture and the control system of headquarters would result in more effective communication and coordination (**Scullion, 1994**) and are effective in replicating existing organizational specificities

and the operating procedures in headquarters in the subsidiaries (**Rosenzweig & Singh, 1991**).

Expatriate capabilities are highly considered when selecting expatriates to send on overseas assignments (**Torrington, 1994**) and these are based on three attributes namely, competencies, willingness and adaptability of expatriates (**Hyondong, 2005**). Competencies are looked at in terms of knowledge and skills in managerial and technical aspects which must be possessed by expatriate managers (**Bjorkman & Schaap, 1994; Tung, 1981, 1987**). Technical competence has been almost the sole variable used in deciding whom to send on overseas assignments, despite the fact that multiple skills are necessary for successful performance in international assignments (**Mendanhall, Dunbar, & Oddou, 1987**). Previous research suggests that, most importantly, competent and valuable expatriates must possess superior managerial and technical skills. For example, **Tung (1981, 1987)** notes on a number of occasions that one of the most basic elements that expatriate managers must possess is professional knowledge and competence. The findings of **Bjorkman and Schaap's (1994)** study on western expatriates working in China reveal that Chinese employees are more willing to learn from expatriates possessing superior managerial and technological skills, and less likely to do so from those who fail to measure up to the expected standards of overseas subsidiary demands. In fact, expatriates who are not professionally competent are resented for receiving high compensation packages, therefore hindering knowledge transfer.

Knowledge transfer in the process through which organizations learn from each other's experience and adapt all or some of the knowledge acquired (**Darr &**

**Kurtzberg, 2000**). Knowledge transfer can take place through a variety of channels that involve the transmission of ideas and new technologies. Literature often makes the distinction between tacit and explicit knowledge (**Polanyi, 1967**), wherein explicit knowledge is what can be formally expressed clearly, fully, and leaves nothing implied and can be stored in specifications, reference manuals, procedures and company handbooks (**Nonaka & Takeuchi, 1995**). Tacit knowledge, on the other hand, cannot be easily as know-how. While it is always difficult to decide which knowledge can be considered as tacit rather than explicit, however, the two types are not completely distinct: knowledge codifiability and tacitness should be considered as a continuum and when knowledge is transferred, that process will generally involve both tacit and explicit knowledge (**Nonaka & Takeuchi, 1995**).

The very reason why MNCs exist and succeed is that they are efficient vehicles for creating and transferring knowledge across borders (**Borensztein, De Gregorio, & Lee, 1995; Gupta & Govindarajan, 1991; Kogut & Zander, 1993**). Foreign Direct Investment (FDI) also contributes to economic growth via technology transfer since MNCs can transfer technology directly (internally) to their foreign owned enterprises (FOE) through their expatriates (**Blomstrom & Lipsey, 2000**). Technological and managerial knowledge are the two major types of knowledge embedded in FDI. Technological knowledge has gained much significance (**Hansen & Lovas, 2004**) unlike in the past when technology was considered in terms of tangible objects like working machinery and artifacts, giving little significance to knowledge related aspects (**Ford & Saren, 1996**). Technology thus is much more

than machinery for it involves the practical application of scientific knowledge that is codified and easily accessible in addition to nonscientific knowledge that may be embedded in the culture of society or company, group, worker or inventor tasks (**Fernandez, Montes, Perez-Bustamante, & Vazquez, 1999**). **Ford and Saren (1996)** describe different technologies under the product, process and market technologies categories.

They can provide their affiliate with too few or the wrong kind of technological capabilities, or even limit access to the technology of the parent company. The transfer of technology can be prevented if it is not consistent with the MNC's profit maximizing objective and if the cost of preventing the transfer is low. Consequently, the production of its affiliates could be restricted to low-level activities and the scope for technical change and technological learning within the affiliate reduced (**Adeolu & Obafemi, 2007**).

The expatriation literature frequently cites the need to transfer resources abroad as a primary reason for expatriating capable home-country nationals to foreign affiliates (**Dowling, Welch, & Schuler, 1994**). MNCs use competent expatriates as a means of organizational development, aimed at increasing knowledge transfer within the subsidiary processes (**Harzing, 2001**) through a "contagion" effect from the more advanced technology and management practices used by foreign firms (**Findlay, 1978**).

For the transfer to be successful, mechanisms based on human resources are relied on (**Nonaka & Takeuchi, 1995**). Consequently, expatriate capabilities are a legitimate way of transferring embedded knowledge (**Downes & Thomas, 2000**). Expatriates with a given set of capabilities

are employed in the MNCs as vehicles for the knowledge transfer from one unit to the other (**Minbaeva, Pedersen, Björkman, Fey, & Park, 2003**). According to **Downes and Thomas (2000)** the greater the number of expatriates in a subsidiary, the more the knowledge that can be transferred as such, the practice of employing expatriates may be a strategic move on the part of an MNC to increase the international experience and knowledge base of present and future managers. Thus, expatriation is a tool by which organizations can gather and maintain a resident base of knowledge about the complexities of international operations.

The ability of a firm to transfer knowledge depends on knowledge, skills, and competencies of individuals who are directly involved in the transfer process, because ultimately it is the individuals who are imparting and receiving knowledge (**Argyris & Schon, 1978**). One of the major responsibilities of expatriates is to bring and transfer skills from the parent firms to the affiliates in the host countries (**Bonache & Brewster, 2001**). Expatriate assignment thus, is an effective means that increase knowledge stock within a relatively short time horizon by grafting knowledge that is new and useful to the host country context to the overseas affiliates (**Huber, 1991**). When the underlying knowledge being transferred is tacit or the objective of the transfer is to change the mindsets of knowledge recipients, significant learning would not take place without the presence of expatriates (**Pucik, 1988; Tsang, 1999, 2001**). Thus, the success of knowledge transfer depends critically on the types of expatriates being appointed. **Delios and Bjorkman (2000)** and **Tsang (2001)** suggest that given the knowledge function that expatriates play, the greater knowledge and skills the expatriates

possess, the greater knowledge and skills will be transferred to foreign subsidiaries. In recent field research, **Wang, Tong, and Koh (2004)** also found that sending overseas expatriates with professional competence increases knowledge transfer from MNCs to foreign subsidiaries. Several previous studies evidence the importance of individual and contextual factors that are weakly related to competence of expatriates (**Dowling, Welch, & Schuler, 1999**). However, most MNCs place heavy emphasis on technical and managerial capabilities of expatriates: unless expatriates possess and develop their expertise that is necessary to overseas operation effectiveness, the contribution of these individual and contextual factors may be questionable. Thus, expatriates who are competent and possess professional knowledge are valuable corporate resources. Using the resource-based logic, appointing valuable expatriates to an overseas subsidiary should help improve the subsidiary's performance.

In addition to abilities, the expatriates' willingness to transfer knowledge is essential to implement effective knowledge transfer program. Literature on expatriate staffing and localization suggests that expatriates who are useful and valuable to overseas affiliates must have the genuine desire to impart years of hard-earned professional know-how to local employees and commit to localization (**Rogers, 1999**). Thus, individual willingness and motivation for knowledge transfer has been suggested to have greater impact on individual behavioral outcomes (**Gupta & Govindarajan, 2000**). Expatriate managers, however, have little incentive to share knowledge they have acquired because, to the extent that they harbor a monopoly of locally-developed knowledge, they gain bargaining power in the MNC by controlling a crucial asset

(**Coff, 2003**). Furthermore, it is impossible for the organization to be aware of all the knowledge expatriates gain during their assignments or to monitor the extent to which that information is shared. This results in a basic principal-agent problem as described by agency theory. Expatriates then, have to be motivated to share their valuable knowledge, especially the tacit one despite the fact that their income and status within the firm are invariably linked to their know-how. This is acute when there is no prospect of receiving an immediate payback in equally valuable knowledge or when there is a fear that it may be leaked to competitors.

Hence, for intrafirm knowledge transfer to take place, expatriates (the source of knowledge) must be sufficiently motivated to engage in transfer. This study thus postulates to test the hypothesis:

**H0: There is no significant relationship between motivation of expatriate and their use of face-to-face interactions as a transfer knowledge tool.**

**H1: There is a significant relationship between motivation of expatriate and their use of face-to-face interactions as a transfer knowledge tool.**

### 3. Methods

For this descriptive cross-sectional study, primary data were collected using the survey methods using a structured questionnaire as the tool from 30 expatriates using purposive sampling from twelve firms. There were five Information Technology firms, two financial consultancies, and three were electronics firms. Of these, ten were MNCs with global operations, a hospital based in Saudi Arabia having a team of international doctors sharing knowledge with each

other, and finally a local firm created to be 'born global' right from its inception, where knowledge is transferred regarding international clients and technical knowledge is institutionalized. For this study, these two firms' professionals were thus considered as expatriates too. The expatriate capabilities have been measured in terms of their ability and willingness to transfer both technical and managerial knowledge within the organization. The structured questionnaire had 4 questions profiling the respondents – age, gender, marital status, nationality; 3 questions regarding the assignment – designation held during the assignment, country of assignment (host country), and purpose of assignment. There were 2 questions regarding the company – name of the company and home country of the parent company; 5 questions on expatriate capabilities on a five-point scale, from strongly agree to strongly disagree; 2 questions on tools or methods of knowledge transfer, also on a five-point scale, from always, often, sometimes, rarely to neural.

## 4. Data analysis

The data were tabulated and analyzed and the hypothesis was tested using Pearson Correlation.

**TABLE 1.** Demographics of respondents

		Fre- quency	Approx.%
Age	20–30	19	63
	30–40	5	17
	40–50	4	13
	Above 50	2	7
Total		30	100
Gender	Male	21	70
	Female	9	30
	Total	30	100

Marital status		
Single	17	57
Married	13	43
Separated	0	0
Total	30	100
Nationality		
Indian	30	100
Others	0	0
Total	30	100
Designation		
Middle level executive	24	80
Top level executive	6	20
Total	30	100

The above table shows that all the expatriates who participated in the survey were all of the Indian nationality, mostly young, in the age group 20–30 years (Table 1). While 70% of them were male, 57% of the respondents were single, and none were separated. The majority (80%) held middle level executive positions during their international assignment.

Moreover, for 16%, these assignments ranged from 1 to 2 years, for 23% it was 2–3 years and for the majority, the duration was more than 3 years. In the survey, for 40% of the expatriate respondents the home country of their company was in India, for 24% it was in the USA, for 6% of the expatriates it was in Singapore, for 13% home country was in Saudi Arabia, and finally for 5% of the expatriates it was in Kuwait. The survey also shows that the subsidiary host country, for 27% was in the USA, followed by Singapore (23%), Saudi Arabia (17%) and Kuwait (10%). The rest were posted in Africa and New Zealand. The purpose of these assignments was mostly for technical assistance, followed by both control and starting a new branch, while four of them responded that it was for yet other purposes.

Data analysis yielded results regarding the expatriates' managerial and functional

ability: 63% of them strongly agreed that they possess superior managerial skills and 37% agreed that they possess superior people management skills such as communication, conflict resolution, leadership and administration skills which have been considered crucial to effectively transfer knowledge to subsidiaries. Moreover, 57% of the respondents “Strongly Agree” that they possess superior functional skills and 37% “Agree” that they possess superior functional skills such as knowledge of products and procedures of the company, and technology which are transferred to subsidiaries.

Regarding the fear of losing power and control in solving difficulties in the subsidiary, 33% of the respondents “Strongly Agree”, 47% “Agree” and 20% remained neutral to the issue.

The study was also interested in finding how willing were these expatriates to solve problems and for this transfer their knowledge to the subsidiary. The results showed that the majority (60%) of the respondents were very willing, 37% “Agree” and 3% did not express their view on the issue. Data analysis results showed 57% of the respondents strongly agreeing and 43% agreeing that they are willing to cope with cultural differences to transfer knowledge to subsidiary employees. This may be because Indians live in a culturally diverse country and hence they have a higher willingness to cope with such diversity even when transferred overseas.

Expatriates’ use of different tools of knowledge transfer was examined. Regarding holding regular meetings to discuss business trends, results showed that 50% of them use it always, 33% of them “Often” and 17% of them “Sometimes”. However, 40% “Always”, 43% “Often”, 10% “Sometimes” and 7% “Never” use

face-to-face interactions as a tool for knowledge transfer.

The hypothesis regarding relationship between motivations of expatriate and their use of face-to-face interactions as a transfer knowledge tool was tested using Person Correlation.

**TABLE 2.** Correlation

Factors	Motivation	Face-to-face interaction
Motivation	1	
Face-to-face interaction	0.916191	1

From the above table, it can be inferred that there is a positive and high correlation ( $r = 0.91$ ) between expatriate motivation and using face-to-face interactions as a tool for transfer knowledge (Table 2). At 95% level of significance, the  $p$  value is 0.00001. The result is thus significant at  $p < 0.05$ . The alternate hypothesis is then accepted that there is a significant relationship between expatriate motivation and using face-to-face interactions as a tool for knowledge transfer.

## 5. Findings

The results of the study indicate that managerial skills such as communication, conflict resolution, leadership and administration skills are considered critical for effective knowledge transfer. Most (94%) expatriates state that functional skills such as knowledge of products and procedures of the company, technology are important to effectively transfer knowledge to subsidiary employees. Most (80%) of the expatriates who participated in the study stated that they are not afraid to lose power and control to solve difficulties during knowledge transfer. The majority (97%) of

the expatriates are willing to solve problems thus transferring knowledge in the organization.

All expatriates surveyed are highly motivated to cope up with the cultural differences thereby reducing the difficulty in transferring organizational knowledge. The majority (83%) share their knowledge in subsidiaries by holding regular meetings to discuss business trends and use face-to-face interactions as a tool for knowledge transfer.

Finally, the findings show that there is a significant relationship between expatriate motivation and using face-to-face interactions as a tool for transfer knowledge. Expatriates are thus making an effort within the organization to communicate with employees face-to-face, building strong relationships, enhancing trust, thereby easing the process of knowledge transfer.

## 6. Conclusion

This study on intra-organizational transfer of knowledge by expatriates was designed with the objective of analyzing expatriate capability to transfer knowledge to others (or subsidiaries) within the firm. It also identified the tools or methods to transfer knowledge and finally, examined the relationship between expatriate motivation and face-to-face interaction as a knowledge transfer tool. The results of the research highlight that expatriates' managerial and functional capabilities help them in transferring knowledge effectively. The study shows that the willingness of the expatriates to cope up with cultural differences, devote time and effort, and not being afraid of losing power and control in solving difficulties are important for successful transfer of knowledge to employees. Moreover,

formal meetings and face-to-face interactions have been found in the study to be the most popular means of knowledge transfer by expatriates. Finally, the research shows that when expatriates are motivated, there is more face-to-face interaction than otherwise.

## 7. Limitations and recommendations for future research

While this study is carried out on a relatively smaller size of expatriates, it is still a representative sample since are from five different countries. Knowledge transfer research could be undertaken on a larger sample size with expatriates from many more different home countries. Similarly, the industries could be diverse to include, for example, manufacturing and pharmaceutical where knowledge transfer is intensive using expatriates. Yet other scholars could undertake such a study in "born globals" which will offer unique insights in the abilities, willingness and tools of knowledge transfer.

Another limitation of the present study is its cross-sectional design. However, this offers an opportunity to examine knowledge transfer over a period. This call for a longitudinal study as knowledge transfer in organizations is the process "through which one unit (e.g., group, department, or division) is affected by the experience of another" (Argot & Ingram, 2000) hence the outcomes must be studied at different points of time. Subsidiary performance as an outcome is the most widely researched subject; it is now time to investigate expatriate success (not failure) in filling the position and transferring knowledge in the host country. Such a study could also call for studying several variables simultaneously; hence, the

complexity of the study would recommend the use of structural equation model.

Finally, the study presents recommendations for corporate managers designing strategic policies and practices facilitating expatriate knowledge transfer in the subsidiaries. Most organizations select expatriates based on their technical skills. However, from the study, it can conclude that the ability and motivation capabilities of the expatriates are critical for effective knowledge transfer. Thus, it is recommended that expatriates are selected keeping these factors in mind. Moreover, knowledge transfer, especially tacit knowledge involves interaction between the expatriates and other employees in the organization. Therefore, the selection of the right tools of knowledge transfer is of significance. Since there is a trust and cooperation between the expatriates and employees, informal knowledge transfer tools like experience sharing and meetings should be used to transfer knowledge.

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