Expatriate-Subsidiary Relationships and Knowledge Transfer in MNCs

A Case Study of a Swedish MNC in Asia

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AUTHOR: Gunnar Löfstedt & Eero Silfver
TUTOR: Imran Nazir
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Abstract

A typical way of transferring knowledge within an organization is to relocate employees from one unit to another. In MNCs, the employees are relocated from the headquarters to the subsidiary in a foreign country, which brings additional issues. These employees or expatriates face several challenges when interacting with other employees from different cultures and often experience additional challenges when trying to adapt to the new environment. Though the relationship between the expatriate and the local subsidiary has great implications on the knowledge transfer there is little research on what these relationships consist of, what affects them and the impact the relationship between the expatriate and the subsidiary has on the transfer of knowledge.

Purpose- The purpose of this study is to determine what factors affect the relationship between an expatriate and the local subsidiary and how it impacts the overall knowledge transfer from the headquarters to the foreign subsidiary.

Method-This is a qualitative single case study with two interviewees as primary sources. One was in a managerial position at the headquarters and one was an expatriate with many years of experience within the company and at several foreign subsidiaries. The information gathered was compared to the existing literature which served as the knowledge base for the study.

Key findings- One of the key findings was the important role that trust plays when trying to establish a network and transfer knowledge. Without the existence of trust the expatriate is unlikely to be able to transfer knowledge and thereby successfully complete their assignment.

Conclusion- Expatriates are primarily used to transfer tacit knowledge due to the complexities of codifying it. Tacit knowledge typically requires an individual to transfer it and to explain it in order for it to be properly understood or assimilated. The research conducted indicated that prior knowledge of the counterpart's culture had a positive effect on the expatriate’s ability to establish trust which was the main ingredient of the relationship between the expatriate and the foreign subsidiary.
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1. Introduction

1.1 Background

In recent years knowledge has become increasingly important for firms as a source for competitive advantage (Bresman et al. 1999). This has also been reflected in the recent upsurge of interest in the field of knowledge management among scholars (Bresman et al. 1999). Though there are few who would argue that knowledge was not important in the past, a growing body of research has acknowledged that more firms have realized that knowledge is crucial for the firm’s future success. Nonaka et al. (2000) argue that the firm’s ability to create and improve its products and services is achieved through the knowledge and skills the firm possesses. Or as Bresman et al. (1999) argue “the winners in tomorrow’s market place will be the masters of knowledge management” (1999, p. 440). However, for MNCs to be able to fully realize the knowledge that it possesses or creates, the knowledge needs to be successfully transferred, be it from one department to another or from the headquarters to its subsidiary (Asmussen, et al. 2013).

Easterby-Smith et al. (2008) define transfer of knowledge as “an event through which one organization learns from the experience of another” (2008, p. 677), and “involves moving pieces of knowledge from one party to another” (Easterby-Smith et al. 2008, p. 685). Knowledge transfer can occur in a wide variety of ways and within or between several different parts of the firm. As of late, however, there has been an increase in attention placed on the transferal process between headquarters and their subsidiary (Bresman et al. 1999). This is in part because it is becoming increasingly common for businesses to expand their operations abroad in order to gain a competitive advantage (Pérez-Nordtvedt et. al. 2008, Adler & Bartholomew 1992). Naturally, it is therefore also becoming increasingly important for businesses to transfer knowledge in and between the various parts of the organization (Adler & Bartholomew, 1992. Toh & DeNisi, 2005). Not only does a successful transfer of knowledge help ensure smoother business procedures (Brock et al. 2008) it also helps a business attain additional advantages such as access to new markets and innovative ideas. An MNE has to be able to utilize the knowledge it possesses in its knowledge repositories and transfer knowledge from one department to another. These knowledge repositories, according to Argote et al. (2003) can be for example be individual members of an organization or its rules and routines.

Typically, this is done with the help of a parent country national or expatriate, a manager located at the headquarters who travels abroad to the subsidiary. Many firms consider their subsidiary abroad as not something different but rather like an offshoot from the headquarters and as such, the subsidiary should work just like the parent organization (Adler & Bartholomew, 1992) which is commonly one of the main tasks of the expatriate. However, recent literature has suggested that the expatriate faces several issues, such as an inability to adapt to the different culture (Johnson et al. 2006. Maertz, et al 2009) and
issues of communication, and that these can have a detrimental impact on the expatriate’s ability to complete their task (Johnson et al. 2006).

This topic is of great importance as firms are becoming increasingly international. Many firms are establishing subsidiaries in other countries, either as part of the production or as part of their sales and general operations. As stated by Flores and Aguilera (2007): “there are more than 50,000 companies worldwide that qualify as MNCs, and the world’s largest MNCs represent about 25% of the world’s GDP, and virtually half of total world trade” (2007, p. 1187).

1.2 Problem

Recently scholars have argued that knowledge is becoming the most important competitive advantage for a firm (Becerra et al. 2008). It is also becoming all the more common for firms to relocate parts of their operations abroad (Adler & Bartholomew 1992. Pérez-Nordtvedt et. al, 2008). In order to facilitate the transfer of knowledge firms still rely heavily on expatriates (Shay & Baack, 2004). However, the greater the cultural differences are between the headquarters and the subsidiary the more difficult it is for the expatriate to successfully adapt and the more difficult it is to transfer the knowledge thus making it more difficult for the expatriate to successfully complete their assignment (Maertz et al. 2009). Here, an expatriate failure can mean a decrease in expatriates’ effectiveness or a premature withdrawal of the expatriate (Harvey et al. 1999).

1.3 Research Gap

Many have tried to understand how cultural differences affect the expatriates and how they can cause them being unable to complete their assignment (Black & Stephens 1989. Harvey, 1997. Maertz, et al. 2009). However there appears to be a lack of research done on how these cultural differences affect the relationship between the expatriate and the local subsidiary and the impact this relationship between the expatriate and the subsidiary has on the transfer of knowledge.

1.4 Purpose

The purpose of this study is to determine what factors affect the relationship between an expatriate and the local subsidiary and how they impact the overall knowledge transfer from the headquarters to the foreign subsidiary. The aim is to contribute to the existing literature and help improve the efficiency of cross border knowledge transfer.
1.5 Research Question

Based on our purpose and on the previous studies brought up in the frame of references we wish to answer the following research questions in order to more appropriately conduct the study.

1. Why are expatriates used to transfer knowledge?

2. What affects the relationship between the expatriate and the subsidiary and what implications does this relationship have on the success of the transfer of knowledge?

1.6 Delimitations

In this study we aim to expand on existing literature and provide possible suggestions to Company Alpha of how to transfer knowledge more efficiently and with less cultural friction between the people from the headquarters and their foreign subsidiaries. Though we will use a theoretical approach we do not aim to develop a completely new theory as such but rather expand on existing theories and literature. Since this is a case study and our primary sources were chosen from one company there are of course certain limitations. Our research is limited by our very own interpretations of the answers the interviewees provided us. In addition, as we are conducting a single case study, we acknowledge there can be differences in companies in different industries and geographic locations. Our main focus is on how to improve the transfer of knowledge between the western companies and their foreign subsidiaries. We focus primarily on the transfer of knowledge rather than the creation of knowledge since the theories that we are using are more applicable to knowledge transfer between individuals however we do acknowledge that an overlap of theories between the two is present.
2. Theoretical Frame of Reference

2.1 Knowledge

Knowledge as a term can be described as a “justified true belief” (Nonaka, 1994, p. 15). Knowledge is developed from the ideas of individuals through interaction, as Nonaka (1994), puts it, “communities of interaction” contribute to the amplification and development of new knowledge” (Nonaka, 1994, p. 15). Though knowledge as a general term encompasses a wide variety of aspects organizational knowledge typically focuses on: “the capability members of an organization have developed to draw distinctions in the process of carrying out their work, in particular concrete contexts by enacting sets of generalizations whose application depends on historically evolved collective understandings” (Tsoukas & Vladimirou, 2001, p. 973).

2.1.1 Properties of Knowledge

Knowledge within an organization is typically characterized as either tacit or explicit knowledge (Nonaka, 1994). Explicit knowledge is knowledge that can be written down in formal language. Examples of explicit knowledge are manuals, mathematical equations and grammatical statements. Tacit Knowledge on the other hand is knowledge that is difficult to transmit in writing. Instead tacit knowledge is “personal knowledge embedded in individual experience and involves intangible factors such as personal belief, perspective and the value system” (Nonaka & Takeuchi, 1995, p. viii). Or simply put, the explicit knowledge can be characterized as “knowing about facts and theories” and tacit knowledge is about “knowing how” (Grant, 1996, p. 111). Explicit knowledge is easier to transfer than tacit knowledge due to the way the knowledge is revealed. Tacit knowledge is often considered “non-transferable without the exchange of key personnel” (Nonaka, Toyama & Nagata, 2000, p. 5) and since the transfer of tacit knowledge relies heavily on personal interactions it becomes all the more difficult to transfer (Reiche, et al. 2009).

2.2 Knowledge Transfer

Knowledge transfer is an area within a broader context of knowledge management (Argote et al. 2003). According to Bresman et al. (1999), transferring knowledge between organizational units is a fundamental part of knowledge management, because firms need to “possess the ability to learn from others in order to meet the increasing pace of competition.” (Easterby-Smith et al. 2008, p. 677). Easterby-Smith et al. (2008) define transfer of knowledge as “an event through which one organization learns from the experience of another” (2008, p. 677), and “involves moving pieces of knowledge from one party to another.” (Easterby-Smith et al. 2008, p. 685). According to Gupta and Govindarajan (1991), the knowledge transferred within an organization can be for
example transfer of expertise or data about the market. Examples of expertise include various designs such as product or packaging designs or know-how on different subjects such as sales or marketing. Transfer of data about the market can be “transfer of globally relevant information about key customers, competitors or suppliers” (Gupta & Govindarajan, 1991, p. 773).

It is also important to note that knowledge transfer can also occur in both directions (Easterby-Smith et al. 2008). Gupta and Govindarajan, (1991), as well as Inkpen and Tsang (2005) argued that knowledge transfer can differ in regards to magnitude and directionality. Magnitude refers to the extent if at all one party is transferring knowledge with another whereas directionality determines which one is giving the knowledge and which one is the recipient. Not only is knowledge transferred from the headquarters to the subsidiary, subsidiaries can also contribute lead innovation and provide valuable resources to the MNC (Birkinshaw et al. 1998). As Björkman et al. (2004) argue subsidiaries “constitute a potentially important source of competitive advantage for multinational corporations” (2004, p. 443).

2.2.1 Knowledge Assimilation

According to Grant (1996) “Knowledge transfer involves both transmission and receipt” (1996, p. 111). Similarly, Argote et al (2003) argued that “for an organization to transfer knowledge, the knowledge must be retained” (2003, p. 572). Assimilation “refers to the firm’s routines and processes that allow it to analyze, process, interpret, and understand the information obtained from external sources” (Zahra & George, 2002, p. 189). Cohen and Levinthal (1990) associate assimilating knowledge along with the organization’s capability recognize and apply external information as the absorptive capacity of an organization. They further state that “an organization’s absorptive capacity will depend on its absorptive capacities of its individual members” (Cohen & Levinthal, 1990, p. 131).

2.2.2 Motivation

A key part to transfer and assimilate the knowledge is motivation. Szulanski (1996) introduces motivation as a characteristic of both the recipient and the donor of knowledge. The donor might feel that revealing information can weaken his/her situation. Tortoriello et al. (2012) also report similar findings stating “individuals who share what they know become more redundant with their colleagues which can undermine their worth and value” and “requesting knowledge […] is risky in the sense that the individual seeking knowledge necessarily reveals his ignorance, which could undermine his standing in the organization” (2012, p. 1026). The recipients may also be unmotivated to accept the knowledge. Both Szulanski (1996) and Argote et al. (2003) mention the not invented here (NIH) -syndrome as a negative factor affecting the recipient's motivation to assume knowledge. The NIH syndrome refers to “negative attitudes in organizations toward the
acquisition of knowledge from external sources” (Lichtenthaler et al, 2010, p. 1054). These factors can be for example caused by the ego or the power (Gupta & Govindarajan, 2000). The ego of the recipient might cause the recipient to deny knowledge from others because it might suggest he or she is less competent than others. Some recipients may try to pretend that the knowledge by the others is less valuable or unique to seem more powerful in the eyes of others (Gupta & Govindarajan, 2000). The NIH syndrome can hinder the flow of knowledge into the different units. The effects of the NIH syndrome can according to Gupta and Govindarajan (2000) be countered by for example creating incentives which increases the recipient’s willingness to learn to by applying pressure from the headquarters level.

2.2.3 Reliability and Attractiveness of Source

If the recipient does not perceive the donor of the knowledge as being trustworthy or reliable, the recipient might feel reluctant to receive knowledge and is more likely to resist and challenge the information from that source (Szulanski, 1996). Pérez-Nordtvedt et al. (2008) point out the relevance of the attractiveness of the source in the knowledge transfer process. According to Pérez-Nordtvedt (2008), attractive sources of knowledge can decrease reluctance of the recipients to assume knowledge.

2.3 Knowledge Transfer in MNCs

Several people have argued, similarly to Bresman et al. (1999), that international firms can benefit from knowledge transfer more than firms that do not have international operations due to the possibility of exploiting new ideas and stimuli that foreign markets often enable access to. However, one must note that transferring knowledge within an organization operating in one country can be challenging but transferring knowledge between the headquarters, departments and subsidiaries in a Multinational enterprise is even more challenging since an MNC’s operations are spread across national borders (Bouquet & Birkinshaw, 2008). Companies with subsidiaries in faraway countries whose cultures differ greatly from that of the home country are in particular likely to suffer because of these challenges (Bresman, et al. 1999, Argote et al. 2003. Pérez-Nordtvedt et al. 2008. Easterby-Smith et al. 2008).

Monteiro et al. (2008) argue that if the subsidiary is excluded or isolated from the process of knowledge transfer, they will not benefit from any information possessed by the headquarters but also they will not contribute any of their information to others within the organization. It is because of such reasons that becoming global requires adaptations to the strategy. If a company chooses to do business internationally, it has implications on how the company manages its human capital (Adler & Bartholomew, 1992). MNE’s have to also “manage many relationships both within and across national borders” (Easterby-Smith et al. 2008, p. 677-678).
Along similar lines it has also been argued that a multinational corporation can be thought of as a network of transactions (Gupta & Govindarajan, 1991) one of these transactions is the knowledge. Even though MNC’s can transfer and utilize knowledge between the subsidiaries within the corporation more efficiently than with outside entities, the knowledge transfer process is not necessarily efficient (Gupta & Govindarajan, 2000). They further argue that due to the complex structure of MNCs, the knowledge is being transferred “along multiple directions but also across multiple dimensions” (Gupta & Govindarajan, 2000, p. 474).

Easterby-Smith et al. (2008) identify several different ways to transfer knowledge within an MNC, such as relocating experienced staff, training the personnel and other social activities or providing documents. Nonaka (1994) argued similarly that knowledge between individuals can be exchanged for example through meetings or phone calls which he refers to as exchange mechanisms. Naturally, which exchange mechanism that is the most appropriate depends on the type of knowledge that is to be transferred. A successful knowledge transfer is noticeable when: “experience acquired in one unit affects another” (Argote et al. 2003, p. 572) or as Easterby-Smith et al. (2008) put it: “Knowledge transfer can be measured by changes in knowledge, levels of innovativeness, or performance of the recipient firm.” (Easterby-Smith et al. 2008, p. 681).

2.4 Expatriates and Inpatriates as Facilitators of Knowledge Transfer

2.4.1 Expatriates

For many decades companies have coordinated and transferred knowledge to their subsidiaries through the use of an expatriate (Toh & DeNisi, 2005. Adler & Bartholomew, 1992). An expatriate has several responsibilities ranging from implementing the headquarters’ culture at the foreign subsidiary, to ensuring that operations are running in a way that the headquarters find satisfactory and enable easier communication between the subsidiary and the headquarters, (Harvey et al 1999). An additional reason why a headquarters may prefer having an expatriate in such positions is that it also extends the headquarters’ control over the subsidiary (Harvey et al. 1999).

However, and perhaps most importantly, the expatriate’s main duty is to help implement business procedures at the foreign subsidiary and thus, transfer the knowledge that was otherwise difficult to transfer, i.e. primarily tacit knowledge (Tortoriello et al. 2012. Adler & Bartholomew, 1992. Perez-Nordvedt et al. 2008. and Brock et al. 2008). As Reiche et al. (2009) state, they “serve as knowledge brokers by linking their social networks at the home and the host unit, thereby generating access between previously unconnected
knowledge resources” (2009, p. 510). Typically, the expatriate has many years of experience within the company and is well versed in their various methods and strategies which is rather important to note as due to the difficulties of transferring tacit knowledge many businesses rely extensively on a home country national, or expatriate, to help transfer the tacit knowledge to their subsidiaries (Kuhlman & Hutchings, 2010).

2.4.2 Expatriate’s Role in Transferring Tacit Knowledge

There have been those who have criticized the previous distinctions between tacit knowledge and explicit knowledge. For instance, Torre (2008) stated that “face-to-face relations, and therefore geographical proximity, are not the only possible support for the sharing of tacit knowledge;” and that technological advances have made “long-distance sharing or co-producing of tacit knowledge possible” (2008, p. 870). Though it is true that recent technological developments have contributed to sharing knowledge there are those who argue that the physical presence of a person still remains important in order to ensure the successful transferal of tacit knowledge (Becerra et al. 2008). Though Torre (2008) mentions that the occasional face to face meeting is important he argues that these only need to be short and not particularly frequent. Such arguments however, are not in agreement with other established theories that argue that establishing trust takes a significant amount of time to which, as stated, is of utmost importance in order to facilitate the transfer of tacit knowledge (Bhagat et al. 2002. Becerra et al. 2008) this particular aspect is all but ignored in Torre’s article. Furthermore, there are also those who have argued that the presence of an expatriate helps not only the transfer but also the assimilation which is of key importance. Without anyone present who understands the knowledge it may not be applied appropriately or it may not be decoded at all, thus its full value is not realized (Asmussen, et al. 2013). Reiche et al. (2009) also argued along similar lines, stating that: “tacit and complex knowledge cannot be transferred in a codified manner, but requires individuals to clarify and reveal its meaning” (2009, p. 511). Though the expatriate may help explain certain aspects of explicit knowledge that may be in conflict with other existing explicit knowledge it is even more important in regards to tacit knowledge due to its complex nature. The physical presence of an expatriate in the subsidiary may also create the possibility for knowledge to be transferred between the expatriate and the local workforce unintentionally or subconsciously, meaning that potential issues that could have otherwise gone unnoticed may receive some attention (Argote & Ingram, 2000).

The fact that the use of expatriates remains so widespread would also indicate an agreement among those in the business world on the necessity of having someone who is physically present (Torre, 2008. Smith et al. 2008). Therefore, in this study the different definitions of explicit and tacit knowledge and the differences that accompany them will be assumed to be valid.
2.4.3 **Inpatriates**

Several companies have begun training host country nationals instead to fill the position that was normally held by an expatriate (Kuhlmann & Hutchings, 2010). Not only do local managers understand the local market better but the local manager is in general also more capable of improving efficiency among the local work force. Inpatriates are also far more capable of forming valuable ties in the host country with various other locals.

2.4.4 **Inpatriate’s Access to Local Networks**

Being able to form ties in the workplace is of particular importance in China where informal networks, also known as “guanxi networks” play a very important role for the success of businesses (Park & Luo, 2001, Fryxell et al. 2004). Not only may access to such a network contribute to establishing contacts with reliable suppliers it may also serve as a source of additional knowledge (Millington, et al. 2006). However, expatriates are rarely as capable of forming such ties due to, once again, language barriers and present distrust even among those outside the subsidiary towards the expatriate (Millington, et al. 2006). An additional issue that has been noted is that “In principle, both western firms and individuals may be subject to exclusion from guanxi networks, but the personal nature of guanxi suggests that any exclusion will be based on ethnic background of the individual rather than the firm” (Millington et al. 2006, p. 511). However it was also noted that: “individuals in China are cautious in sharing their guanxi networks with newcomers or even close friends,” (Millington et al. 2006, p. 511) indicating once again that it would take an expatriate a considerable amount of time to be able to gain access to such a network. A local manager is therefore more likely to be able to gain access compared to an expatriate. The implication this has is that if an expatriate is used they may not be able to apply their own knowledge without first obtaining the necessary knowledge from the networks and thereafter combine it efficiently. This, in turn, may frustrate operational proceedings (Millington et al. 2006). Once again, it is of particular importance to note the necessity of forming business ties in particular in China where it has been argued that finding relevant information for conducting business is difficult due to the underdeveloped information markets (Millington et al. 2006).

Using a local manager as an inpatriate to transfer the knowledge necessary would appear to be very beneficial. However, issues such as cultural friction between the local manager and the head-quarters are likely to remain (Kuhlmann & Hutchings, 2010). In this particular field relatively little research has been conducted.
2.5 Issues With Expatriates and Inpatriates

Transferring knowledge between a headquarters and its subsidiaries can prove to be a rather difficult task to complete. A wide range of issues experienced by expatriates during their stay has been reported and in recent business literature it has been noted that these issues have a direct impact on the expatriate’s ability to complete their tasks in a successful manner (Toh & DeNisi, 2005).

2.5.1 The Impact of the New Location on Expatriates and Inpatriates

It is becoming increasingly common for companies to establish parts of their operations abroad (Adler & Bartholomew 1992. Pérez-Nordtvedt et. al, 2008). One country in particular has seen an increase in foreign business activities. China has over the past several decades seen a rapid increase in various forms of FDI (Fryxell et al. 2004. Gamble 2006). In fact, according to Gamble “between 1980 and the end of 2004 the country utilized USS 562 billion in FDI” (2006, p. 328). Though previously the primary reason for companies to expand to China was to cut production costs and gain a competitive advantage by thus being able to lower prices companies have today have based more and more of their competitive advantage on knowledge (Grant, 1996. Bresman et al. 1999. Li et al. 2007). Naturally the transfer of knowledge is of utmost importance to study as it is key in order to gain the competitive advantage mentioned (Bresman et al. 1999. Turner & Makhija, 2006). Logically it is also becoming increasingly common for companies to use expatriates as part of these operations (Toh and DeNisi. 2005. Bolino, 2007. Harvey & Moeller. 2009) either to attain the knowledge from the subsidiary or to transfer it from the headquarters. It is important to note that much of the FDI entering China has come from western companies (Gamble, 2006) for there are rather significant cultural differences between most western countries and China. It has been argued that such cultural differences may have be a leading cause of failure for an expatriate to complete their assignment abroad (Black & Stephens 1989).

2.5.2 Culture related to expatpatriate and inpatriate difficulties

Culture can be defined as “the set of institutionalized rules and norms that govern appropriate behavior in [a] network” (Gulati et al., 2000, p.205). Naturally, cultural differences and their impact on an expatriate is also a topic of great importance to study as it has a direct impact on a company’s foreign business activities, simply due to the fact that the culture in the expatriate or inpatriate manager’s country of origin and the destination country are likely to be very different from each other, as they are between China and most western countries, for instance (Kuhlman & Hutchings, 2010). Regardless whether it is the question of an expatriate or an inpatriate. Simple things, such
as asking for further clarification, in order to avoid the possibility of future embarrassment, may appear harmless in China but can prove to be quite the opposite in many western countries where such questions can be considered rude (Adler et al. 1992).

There has been much discussion regarding the rate of expatriate failures. One of the most well cited studies regarding expatriate failure is by Black and Stephens (1989). In this article they state that: “16% to 40% of the expatriate managers do not successfully make the transition and return prematurely,” (Black & Stephens, 1989, p.529). Similar numbers are repeated by Harvey and Moeller (2009) and Johnson, et al, (2006). As reasons for these expatriate failures Black & Stephens (1989) argue that the different cultures play an extremely important role. Similarly, it has been argued that the expatriate’s lack of cross-cultural understanding has ultimately led to their inability to adapt and integrate thus rendering them incapable of effectively doing their job (Johnson et al. 2006). Furthermore, Johnson et al. (2006) state that not understanding the culture and the manager’s inability to effectively interact with the people in the foreign business unit are a bigger reason for a failure than not being technically able to do the job. When discussing dealing in cross-cultural environment, Johnson et al. (2006) mention intercultural communication which according to the authors is about being “appropriate and effective in the communication process that takes place between individuals from different national cultures” (2006, p. 528). Effectively one of the leading causes of the expatriate failures is the expatriate’s inability to communicate with the local employees at the foreign subsidiary (Johnson et al. 2006). Communication is likely to have a direct impact on how well the expatriate or inpatriate adjusts to the local culture. As Black (1988) stated: “Because association with host nationals can provide cues concerning appropriate behavior in the new situations, greater association with host nationals would reduce novelty and positively affect adjustment” (Black, 1988 p. 282). However, it is also important to note that at times even the presence of an expatriate can be interpreted by the local workforce as a sign of distrust from the headquarters (Brock et al. 2008) meaning that communication may be negatively affected from the start.

Expatriate failure is a very serious issue as it can not only lead to high costs for the headquarters (Black & Stephens, 1989. Maertz et al. 2009. Kuhlman & Hutchings 2010) it can also lead to a decrease in the productivity and harm the organization's’ relationship with its stakeholders (Toh & DeNisi. 2005).

2.5.3 Assignment Length & Impact of Expatriate or Inpatriate’s Family.

It has also been suggested that not only is the adaptability of the expatriate crucial for their assignment abroad but so too is the adaptability of the expatriate’s family (Black & Stephens, 1989). Meaning that the success of the expatriate is not only reliant on the individual expatriate’s ability to adapt to the local culture, the success also relies on the ability of the family of said expatriate to adapt, as their inability to adapt is very likely to
affect the expatriate in question negatively (Black, 1988. Black & Stephens, 1989. Harvey 1997. Shaffer et al. 2001 Maertz et al. 2009). This is of great importance to note as the expatriate typically has a rather small social circle in the new country, meaning that the family plays an even more important role, in terms of support, than they did at home where the expatriate is likely to have other family and friends (Shaffer et al 2001).

In addition, there is also the problem of expatriates who are in a relationship with someone who has a separate career, so called “dual career expatriates.” The problem this poses is that the spouse or partner may have to halt their careers if they decide to join the expatriate for their assignment abroad. As stated by Harzing (2001), the average length of an expatriate assignment is from two to five years which is a considerable amount of time to pause a career. This has been noted to have caused additional problems primarily regarding the relationship of the two in question which in turn has a negative impact on the performance of the expatriate. As Harvey (1997) put it, “familial and spousal problems will retard the rate and level of adjustment of the internationally relocated manager,” (pg. 632). Such problems are likely to cause an increase in stress which has a negative effect on their performance at work thus increasing the risk of failure to complete the assignment (Harvey, 1997). Expatriates who are experiencing family or spousal issues are also less likely to extend their stay abroad longer if that is needed. This is particularly true if the spouse has a career of their own (Harvey, 2003). In the worst case scenario, an expatriate may even have to cut their assignment short as a direct result of the problems they are experiencing at home (Shaffer et al. 2001). Similar issues have also been analyzed in regards to inpatriates during their assignment to the headquarters (Harvey & Buckley, 1997). Naturally this can in turn have a detrimental effect on the subsidiary and the company overall.

### 2.5.4 Turnover Rate Among Expatriates

There is also the additional issue that many companies face as many former expatriates, so called “repatriates” leave the company once they have returned to their home country (Lazarova & Caligiuri. 2001). In fact, according the Global Relocation Trends Report from 1999 a total of 25% of all former expatriates leave the company within two years of returning back home (Lazarova & Caligiuri. 2001). The reasons behind their relocation has ranged from a lack of respect as they feel that their status has diminished upon returning (Lazarova & Caligiuri. 2001) to other problems that may have arisen such as the previously mentioned family related issues (Harvey, 1997).

Not only is this a very costly process for the company as it loses a valuable employee but they also lose all the tacit knowledge that the particular employee had regarding their assignment abroad and also the established connections. Frequently the company is then forced to proceed with a long and tedious process of re-establishing these connections and rebuilding the trust between the subsidiary and the new representative which can in
particular prove to be a complex issue (Fryxell et al. 2004). Without trust the counterparts at the subsidiary may not always be receptive of the new information (Bjorkman et al. 2004). This can be due to many reasons. Again, simple mistakes caused because of the cultural differences can prove disastrous.

Though there are ample studies that have been produced discussing the high failure rate among expatriates, there are also studies that have criticized these numbers. The most notable example would be by Harzing, (2002) who argued that inflated numbers were found and that much of the previous research surrounding this topic was not based on empirical evidence. Regardless of the validity of the argument, the goal of our study is merely to improve the knowledge transferal process between the headquarters and the subsidiary and thus improve expatriate efficiency. There is little disagreement on the fact that the expatriate frequently experiences several difficulties with effectively transferring their knowledge to the local subsidiary and that there is room for improvement in this particular area (Black & Mendenhall, 1990).

2.5.5 Turnover Rate Among Inpatriates & Local Managers

As of late the turnover rate among local managers in China has increased rather dramatically as they pursue new opportunities elsewhere in hopes of boosting their career creating a culture of “job-hopping” (Kuhlmann & Hutchings. 2010). These fears can at times translate into suspicion towards the inpatriate as well. Due to the frequent job hopping there are fears that there will be an increasing risk of leakage, meaning that former managers will take the knowledge that they learnt and use to benefit another firm thus undermining the competitive advantage that the first firm had (Gulati et al. 2000. Becerra et al. 2008).

Furthermore, companies frequently complain about the lack of locals who are sufficiently qualified. Indeed, much of the company’s success rests on that individual manager’s shoulders, putting them under rather immense pressure (Fryxell et al. 2004). It has also been mentioned that in several instances the transfer process is actually intentionally stalled or otherwise disturbed as employees or businesses fear that by sharing their knowledge they may lose their competitive advantage. Such fears have also been analyzed by Gooderham, Grogard and Nordhaug (2013). One such instance in particular occurred when Siemens attempted to build a network of knowledge sharing among its subsidiaries. The employees felt threatened and feared that by contributing they would thus make themselves obsolete. Therefore, it took a considerable amount of work for Siemens to make the program work with any degree of efficiency. Similarly, Tortoriello et al. (2012) argue knowledge transfer between organizational units is generally beneficial for those who are receiving the knowledge but the one who shares the knowledge might feel undervalued.
2.6 Social Capital

Social Capital refers to how networks and relationships can be seen as an asset for social interaction (Nahapiet and Ghoshal 1998), and as Johnson et al. (2006) stated, the relationship and interacting with the foreign employees, is often what the managers relocating to foreign branches of an MNC fail at. This, in turn, has an impact on the amount of social capital the relocating manager can establish with the other employees. Nahapiet and Ghoshal (1998) define social capital as “the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit” (1998, p. 243). Social capital is an asset that is very hard to trade and they further argue that strong ties between individuals carry a lot of social capital (Nahapiet & Ghoshal, 1998). Nahapiet and Ghoshal (1998) discuss the social capital through three dimensions: the structural, the relational and the cognitive dimension. The structural dimension refers to how the network is built and the “impersonal configuration of linkages between people or units” (1998, p. 244). These linkages can be for example the existence of ties and the degree of hierarchy and connectivity. The relations individual have with each other within an organization is the area of focus of the relational dimension. Nahapiet and Ghoshal (1998) argue that the individuals’ behavior is influenced by relations such as friendship, respect and trust.

Trust is an especially important attribute when discussing relational embeddedness and is fundamental for relationships (Moran, 2005). Rousseau et al. (1998) identifies relational trust as a trust which builds over time through repeated interaction between two individuals and assurance of . They further argue that “reliability and dependability in previous interactions [...] give rise to the positive expectations about the trustee’s intentions” (Rousseau et al. 1998, p. 399). Moran (2005) discusses trust as a basic ingredient of the social capital. This ingredient allows an individual to acquire and utilize knowledge that exists in his or her network. Similar to this McEvily et al. (2003) state that trust “represents an important component of social capital, defined as the actual or potential value derived from a relationship” (2003, p. 95). McEvily et al. (2003) argue that “trust represents a positive assumption about the motives and intentions of another party” (2003, p. 92-93) and according to Inkpen and Tsang (2005), trust is something that develops over time and as it develops, it increases the likelihood of opportunities to transfer knowledge between members in a network.

The cognitive dimension is defined as the shared representations, interpretations, and systems of meaning among parties (Nahapiet & Ghoshal, 1998). Inkpen and Tsang (2005), further describes the cognitive dimension as “shared goals and shared culture among network members” (Inkpen & Tsang, 2005, p. 153). Tsai & Ghoshal (1998) present a link between the cognitive and relational dimensions by stating that the shared
values and goals can be an incentive for trust in relationships. If collective goals and values exist, the members of the organization are more willing to trust each other because no one is expected to act in their own self-interest (Tsai & Ghoshal, 1998. Dhanaraj et al. 2004). They argue that once enough trust has been established and once enough social capital has been formed between two individuals the more likely they are to share knowledge and resources with each other (Tsai & Ghoshal 1998. Reiche et al. 2009). Though Nahapiet and Ghoshal (1998) discuss how networks of relationships constitute a source for the different resources and how networks of mutual acquaintances carry a lot of social capital, they do not further elaborate on the differences or the properties of the relationships and networks.

2.7 The Theory of Strong and Weak Ties

In his work Granovetter (1973) discusses the types of relationships that exist between two individuals. He characterizes these relationships as ties which are categorized as strong, weak and absent ties. A tie is considered strong when time, emotional intensity, intimacy and reciprocity are involved in the relationship (Granovetter 1973). Individuals who frequently interact and share a strong tie with another person is likely to form a tie with some of that person’s friends. Due to such overlapping in networks, it can be argued that eventually small groups with strong internal communication are likely to be connected to other smaller groups through weak ties between individuals from both groups (Granovetter, 1973). The closer and more frequent the relationship between two individuals is, the stronger the tie is.

This theory is further used by Tortoriello et al. (2012) who in addition to the strength, discuss the impact network cohesion and range have on the process of knowledge transfer. Tortoriello et al. (2012) state that if there is an overlap regarding knowledge between two individuals, they are more likely to succeed in transferring knowledge between each other. A relationship where knowledge is exchanged can directly exist between two individuals or it can be established through a third party reference (Rousseau et al. 1998. Tortoriello et al 2012). It is easier to explain and assume the knowledge because of the strong tie that these two have formed. They also find that the motivation for two individuals to transfer knowledge is affected by how strong a relationship exists between them. Trust is also key part in the formation of strong ties which enable the most efficient transfer of knowledge (Granovetter, 1973). They argue that strong relationships enable faster transfer of knowledge and especially tacit knowledge. Further, they state that knowledge transfer is likely to cost less when there is a strong tie between the recipient and the source of knowledge. A lack of trust will inhibit an individual’s possibilities to form a strong tie and thus the transfer process will inevitably be slowed. McEvily et al. (2003) also argued similarly that trust “makes the decision making more efficient by simplifying the acquisition and interpretation of information” (2003, p. 93).
Though weak ties are argued to be better in regards to knowledge creation they are considered ill-suited for knowledge transfer. This is precisely the main benefit of a strong tie. This is important to acknowledge since as Nonaka et al. (2000) pointed out that tacit knowledge is considered to be more complex and reliant on two individuals, meaning that it therefore requires the presence of a strong tie in order to successfully be transferred between two individuals. An important aspect to consider, since transferring tacit knowledge is heavily reliant on the existence of trust, is that it is also heavily reliant on the physical interaction between two individuals since trust is easier to establish when one is physically present (Becerra et al. 2008). Nonaka, et al. (2000) further argue that socialization between the individuals in a group is a key feature in the process of maintaining organizational knowledge and therefore it is heavily dependent on the individuals and their ability to form ties. Similar arguments are brought up by Reiche et al, (2009) who argue an individual’s ability to form social ties is crucial to facilitate the transfer of knowledge and that forming social ties is near impossible without the existence of trust.

According to Granovetter (1973), the degree to which the networks of two individuals overlap with each other is affected by the strength of the ties these two individuals have with each other. This in turn has an impact on the spreading of information and influence because, as Granovetter, (1973) argued, when individuals move from one network to another, they establish a link between the old network and the new one. Along similar lines Reiche et al. (2009) argue that social interactions carried out between individuals as a resource are embedded as a key part in the social capital theory. However trust can be difficult to establish between individuals due to many factors such as cultural differences and lack of appropriate knowledge regarding the culture (Farh, et al. 2010). Neither Nahapiet & Ghoshal (1998) nor Granovetter (1973) discuss the negative impact that different values, goals and culture can have on the network process and, in particular on an individual’s ability to establish trust.

2.8 Cultural Cognitive Dissonance

A leading cause of the issues that the expatriate faces arise due to the different cultures at the foreign subsidiary and the headquarters (Maertz et al. 2009). In order to more appropriately analyze the cultural clash that occurs when an expatriate is assigned to a subsidiary abroad Maertz et al. (2009) applied the theory of cognitive dissonance and developed the new theory of cultural cognitive dissonance. The original theory of cognitive dissonance was first developed by Festinger in 1957 and has since been widely used within the field of psychology (Elliot & Devine, 1994). Elliot and Devine described dissonance as “a bodily condition analogous to a tension or drive state like hunger” (1994, pg. 382). In other words, anything that causes psychological tension for an individual can be considered dissonance. In their article, (2009) Maertz, et al. applied this theory in order to describe the cultural friction which an expatriate frequently experiences. According to their article an expatriate is likely to suffer from increasing dissonance as
the values and cultural norms of the expatriate come into conflict with that of the host country thus creating discomfort and frustration for the expatriate.

This is of particular importance as too much cultural cognitive dissonance is likely to impede on the ability of the expatriate to form ties with the local workforce and this, in turn, harms the transfer of knowledge and thus harms the chances of success for the expatriate to fulfill their task (Maertz et al. 2009. Brunning et al, 2012. Samnani et al. 2012). According to the cultural cognitive dissonance theory people who are put into a position where their Values, Attitudes, Beliefs or Norms come into question are likely to go through a process of modifying their perceptions and their VABNs in order to be able to identify with their counterparts (Maertz et al. 2009). This process is referred to as assimilation. When the parent company and its subsidiary interact, the nature of the relationship is affected by the fact that usually, the parent company has the authority and its culture is considered the prominent one (Adler & Bartholomew, 1992). The link between the two can vary in strength due to the cultural or organizational differences. Such a connection can be “established either through the headquarters or on the members’ own initiatives” (Inkpen & Tsang, 2005, p. 153). However, Inkpen and Tsang (2005) also argue that “Cultural conflict will arise if certain partners rigidly push forward their own ways of doing things” (2005, p. 153).

Those who fail to do adjust frequently find themselves in awkward situations. Simple misunderstandings can prove disastrous as environments of sharing and trust instead turn into environments of suspicion and even hostility (Fryxell et al. 2004. Maertz, et al. 2009) thus hampering the transferal process greatly.

Similarly, Nonaka (1994), emphasizes the importance of trust between the individuals. He argues that the individuals working together must share their own experiences with each other in order to establish mutual trust so that everyone in that group to understand each other (Nonaka, 1994). This is also argued by Gupta and Govindarajan (2000), who state that “greater interpersonal familiarity [...] can be expected to increase the openness of communication between the interacting parties”. (Gupta & Govindarajan, 2000, p. 479) This dialogue will further result in the group members to develop mutual ideas and perspectives. Easterby-Smith et al. (2008), argue that without the factor of trust in the process of knowledge transfer, a suspicion that the knowledge would be exploited beyond intentions may arise.

It is for these reasons that companies typically seek people who are able to adapt to the culture to be expatriates. In her work Caligiuri, (2000) analyzed five of the key traits that expatriates who successfully integrate in the host country typically have. One of the key traits for an expatriate is openness and willingness to socialize with the locals. This argument is rather close to that of Granovetter (1973) and the formation of strong and weak ties as well as with the theory of building social capital developed by Nahapiet & Ghoshal (1998).
3. Method

3.1 Scientific Philosophy

There are three primary approaches that could be used in scientific research, namely, positivism, hermeneutics and interpretivism. Positivism is more commonly used for “inferential statistics, hypothesis testing, mathematical analysis, and experimental and quasi-experimental design” (Lee, 1991, p. 342) and involves: “the manipulation of theoretical propositions using the rules of formal logic and the rules of hypothetico-deductive logic, so that the theoretical propositions satisfy the four requirements of falsifiability” (Lee, 1991, p. 343). Though positivism has been used for conducting qualitative research within the social sciences it is most commonly used for studies in the natural sciences (Lee, 1991). Interpretivism emphasizes people and the important role they play in shaping interpretations of: “our everyday social roles in accordance with the meaning we give to these roles,” (Saunders, et al. 2009, p. 116). Or, as Collis & Hussein put it comparing positivism to interpretivism: “whereas positivism focuses on measuring social phenomena, interpretivism focuses on exploring the complexity of social phenomena” (2014, p. 45). Hermeneutics, on the other hand can be defined as: “the theory or philosophy of the interpretation of meaning,” (Butler 1998, p. 286). Though hermeneutics is commonly used in the social sciences it focuses more on the interpretation of text (Butler, 1998). Since the emphasis of this study is more geared towards the interaction of individuals interpretivism is the most suitable choice.

3.2 Scientific Approach

The three primary scientific approaches that are most commonly used are inductive, deductive and abductive. The primary difference between the three is that the inductive approach begins with making a series of observations which are then tied to a theory (Locke, 2007). This in contrast to the deductive approach in which researchers start with the assumption of a theory then followed by deductions based on that theory and thereafter they test the theory and then revise it if necessary, (Locke, 2007). Researchers using the abductive approach, however, try to find “hypotheses which together with the knowledge base explain the observations” (Baral, 2000, p. 1).

Though the inductive approach is most frequently used to develop new methods and theories based on case studies (Barrat, et al. 2011), we will use the abductive approach as we intend to explain the observations made using our knowledge base and hypothesis. This method has been argued to produce more reliable theories due to the fact that it combines theories with empirical data. Dubois and Gadde argue that the abductive method has the: “possibilities of capturing and taking advantage not only of the systemic
character of the empirical world, but also of the systemic character of theoretical models” (2002, p. 566).

3.3 Research Method

Qualitative Research

For this study the qualitative research method was chosen in order to discover possible alternatives to improve expatriate success and find other viable options in order to transfer knowledge from the headquarters to the subsidiary. We found that the qualitative method not only offers us greater freedom to choose from a wider range of theoretical approaches but also greater independence.

3.4 Research Strategy

Case Study Method

Case studies are frequently used in qualitative research in order to understand and explain complex phenomena (Eisenhardt, 1989). Though the case study method has been noted to be: “Ill-equipped to address the questions ‘how often,’ and ‘how many,’” (Eisenhardt & Graebner, 2007, pg. 27), it is frequently considered the superior when answering questions regarding how and why (Eisenhardt & Graebner, 2007). These are precisely the type of questions we aim to answer in this study which is why the case study method was chosen.

However there have been several other critiques towards the use of case studies. One of the main points of criticism has been the lack of clearly defined guidelines and how to apply the case study method effectively, as indicated by Eisenhardt (1989). Along similar lines Stake (1995) argued that though the case study method does not have a clear structure this is not necessarily a negative attribute as each case that the case study is based on is unique and, therefore, each case study should be structured around the key themes and findings (Stake 1995). Bearing this in mind it is important to note that Stake (1995) did separate between different types of case studies.

Stake (1995) argued that the type of case studies one can conduct can be one of the three following categories: intrinsic, instrumental or collective. An intrinsic case study focuses on the individual case and what we need to learn about it whereas an instrumental case study focuses on the individual case and what insights studying the case may provide us on a broader scale (Stake, 1995). A collective case study, on the other hand, is a case
study that focuses on several aspects, be it several companies or several individuals (Stake, 1995). Though we have two primary sources we are primarily studying one company and we aim to deduct answers that can provide insights for several companies, therefore our case study is an instrumental case study.

Though, a comparative study of several cases could have eliminated more bias this was not a viable option due to the time constraints present. However, by comparing the different answers that we received from multiple employees within the same company and with several other articles most of the bias was hopefully eliminated and a more balanced study was created.

### 3.5 Data Collection

#### 3.5.1 Case Selection

Since this case study is an instrumental case study the case should be selected based on whether or not it can provide some type of insight into a particular issue (Stake 1995). Another aspect that Stake (1995) emphasizes is the proximity of the case. Since this study, much like many other studies, was conducted within a rather strict time frame it was very important for the case company be near and accessible. However it still had to be relevant to the purpose and research questions.

For our case study we used a multinational company with its headquarters in Jönköping. The company operates within the transportation & packaging industry. This company was chosen due to the fact that it operates in several countries with widely different cultures and has a great deal of knowledge transfer between its subsidiaries and the headquarters and as such, relies rather heavily on the use of expatriates. This company will be referred to as Company Alpha throughout the thesis. One of our primary sources is the head of Corporate Human Resources at the headquarters and our other primary source is an expatriate from the same company who has worked in China for several years as well as in Canada. We had two face to face interviews and four email interviews with our primary sources in total. Their answers provided valuable insight and information as a basis of comparison with the information from our literature and the primary theories used in this study.

#### 3.5.2 Interview Method

There are two primary methods that can be used when conducting an interview. Structured and semi-structured. The main difference between the two is that at structured interview does not allow the interviewee to deviate from the topic whereas semi-structured interviews lets the interviewee expand and deviate a bit from the questions (Saunders et al. 2009). We decided to use the semi-structured method for our interview
as it allows the interviewee to expand more freely on their answers and thus provide us with additional and more in-depth information that was directly linked to each interviewee’s unique experiences and their perceptions of them. This is precisely why it is frequently recommended to use semi-structured interviews for qualitative studies (Stake, 1995. Saunders et al. 2009). Using the structured method would have given us more direct answers though possibly less information overall. The interviews were recorded and transcribed. In order to respect the wishes of the interviewees their names have remained anonymous in our paper, and the company name has been changed. However, the positions of the interviewees were retained in order to validate their claims.

Due to the frequent scheduling conflicts that occurred several of the interviews had to be conducted by email. Though this approach did slow down the process somewhat it was more convenient and it also eased the documentation process. However, the method of relying on email to conduct interviews has been criticized for being unable to provide a full picture as important physical cues such as body language and tone cannot be detected by email (Lee, 1994). It has also been argued that additional issues may arise when relying too much on interviews conducted by email, such as receiving unfocused answers, due to the time gap between question and answer, and issues regarding visual validity (James & Busher, 2006). We hoped to eliminate some of these problems by using the combined approach of both face to face interviews and additional interviews via email. This way the issues of visual validity were eliminated as well as to a certain degree the issues of tone, as we got to hear the interviewee and how they in general speak and use tone. It has also been argued that emails can still provide ample, high quality information. Even if body language cannot be fully grasped the tone can be understood if additional face to face communication has occurred (Lee, 1994).

3.5.3 Secondary Data

We used a combination of several secondary sources and two primary sources in our study. Our secondary sources primarily consist of articles chosen based on their relevance, number of citations and the impact factor in order to ensure the quality of the journals from which the articles were taken. In addition to the university library we also used several databases. The primary databases used were Web of Science and Google Scholar and Scopus. The key words used in the search included: knowledge transfer, knowledge transfer in MNCs, knowledge management, expatriates and inpatriates.

Most of the articles gathered focused on expatriates, localization of firms and the transfer of knowledge. Our primary focus was on western companies operating in Asia due to the documented difficulty for westerners operating in there due to cultural differences. Several articles about Global Talent Management were also selected in order to gain further knowledge about how headquarters manages their subsidiaries. These articles provided a solid basis from which we could use existing theories and compare them to
our real life case, in this instance, Company Alpha, similar to what Eisenhardt suggested (1989). Thus we were able to compare how and if a company applied the theories brought up in the literature and whether or not these theories were actually successful or not.

### 3.6 Method for Data Analysis

Since this study is a single case study a certain method was used in order to analyze the data. However, according to Eisenhardt (1989) there is no standard format for analyzing the information received in case study. Therefore, it has been suggested that the case be studied in depth until patterns of similarity appear between the information gathered from the case and the theories and other research and thereafter the relationships be verified (Eisenhardt, 1989). The information from the case study should then be: “intertwined with the theory to demonstrate the close connection between empirical evidence and emergent theory,” as Eisenhardt & Graebner put it (2007, p. 29).

Stake, (1995) suggests two primary ways to analyze the information gathered about the case namely: “through direct interpretation of the individual instance and through aggregation of instances until something can be said of them as a class,” (1995, p. 74). Since this is an instrumental case study even greater emphasis is placed on the discovered relationships and patterns in the gathered information, as stated (Stake, 1995). This indicates that though both can be combined, greater focus should be on categorical aggregation

First, in order to comprehend the data that was gathered it is recommended to write short summaries of the articles and interviews. This we did. As was mentioned, the interviews were transcribed. This was done in order to properly comprehend what has been said during the interview (Stake, 1995. Saunders et al. 2009). The process of transcribing has been argued to have the additional benefit of increasing the author’s understanding of the interviewees, in particular, in understanding the interviewees meaning (Saunders et al. 2009).

The next step is to summarize the information in comprehensible manner which should then be compared in order to discover the key themes within the interviews and literature (Eisenhardt, 1989. Stake, 1995. Saunders, et al. 2009). The information from the interviews was then analyzed and compared to the literature.

### 3.7 Research Trustworthiness

In order for research to be determined trustworthy, and thus, an actual contribution to research it has to be both valid, and reliable. The key difference between validity and reliability is that validity is that validity has to do with: “Systematic error or bias,”
whereas the reliability has to do with “the consistency with a finding” (Gerring, 2012, p. 83). A study needs to fulfill both criteria in order to be considered trustworthy.

In order to improve the validity several people carefully read and scrutinized our study in order to uncover any potential flaws and limit the bias. The secondary data consisted articles presenting both sides of the arguments in order to produce more critically valid frame of reference. The two interviewees who serve as our primary sources were selected based on them having many years of experience in international activities within the same company. In order to triangulate, the primary sources included an interviewee from a managerial position and an interviewee with experience in working as a parent country national in a foreign subsidiary. For the triangulation to hold, the questions were designed in a way that the responses from the manager and the expatriate would complement each other. The questionnaires were sent to the respondents prior to the actual interview in order for them to review the questions and prepare their answers. This was done in order for both parties to properly interpret the questions and the answers, i.e. to improve construct validity (Saunders, et al. 2009). However, it must be noted that the primary sources were all chosen from one company, Company Alpha. As stated previously even though a comparative analysis of several case studies may have produced more generalizable conclusions this was not deemed feasible considering the time constraints.

There are four primary threats that need to be assessed, these are identified as: subject or participant error, subject or participant bias, observer error and observer bias (Saunders et al. 2009). As previously acknowledged there may be a degree of bias from the participants (i.e. interviewees of this study) however some of this bias was hopefully eliminated by interviewing more than one person from within the same company. Similarly, since two individuals were interviewed and since they both had several years of experience from within Company Alpha the room for error was hopefully minimized. Several steps were taken in order to tackle the second issue, that of observer error and bias. Not only is this thesis the result of the collaborative effort of two individuals, several additional proof readings were conducted by several other colleagues in order to ensure the quality and to compare viewpoints and thereby decrease the bias.

3.8 Ethical Implications

Several ethical considerations need to be taken before conducting the research. One in particular is how to use the methodology in a morally sound way. There are two primary views in research ethics and those are deontology and teleology (Blumberg et al. 2005). According to the deontological view: “The ends never justify the use of the means that are questionable on ethical grounds,” (Blumberg et al. 2005, p. 154). For instance, this would mean that if the researcher applies this view to their research they would have to fully inform their interviewees of the purpose of the study, what the answers would be
used for and what the study may indicate, even if such revelations may impact how the interviewee will answer the questions and thus may negatively impact how useful the information obtained will be. According to the teleological view, on the other hand: “the morality of the means has to be judged by the ends served,” (Blumberg et al. 2005, p. 154). In other words, if the research produces more good than it caused harm then it is justified. The main issue with this approach is that “good” is defined in different ways by different people. What one person may believe is fully acceptable may be perceived as quite the opposite by someone else. Furthermore, an additional issue that Blumberg, (2005) brings up is that the parties who may gain from this research are unlikely to be the same as those who bore the costs in the process. However, in our research this is not the case as those who were interviewed are very likely among those who could benefit from our research. The only cost for them would be the time they spent answering the questions during the interviews. Additional steps have been taken as well in order to minimize possible costs and respect our interviewees’ wish of privacy by ensuring their anonymity in this study. If their names had not remained anonymous it is possible that they would not have answered as truthfully fearing that their positions may be compromised should anything negative be revealed during the interviews. Furthermore, due to the personal nature of this study anonymity is of crucial importance as some of the information gathered was about various difficulties and issues that the interviewees faced.

Since this study is simply meant to improve the efficiency of employees the costs are unlikely to be great if they even exist, however the possibility there being costs does have to be noted. Though we attempt to apply the deontological view in this study it is not always possible to follow it according to the strictest sense of the definition. Therefore, it is necessary to find a balance between the two different views, as indicated by Blumberg, (2005). This we have strived to do.

4. Findings

4.1 Expatriates

Company Alpha uses expatriates in senior management positions in its foreign subsidiaries. An average expatriate for Company Alpha is an employee between 35 to 45 years old accompanied by his/her family. The primary countries that Company Alpha sent expatriates to were: China, Canada and the US, typically for three to five years. According to the manager interviewee, expatriates typically bring expertise within a specific business area or a customer segment. As he stated: “typically they bring management and business experience from many years in the company” as well as implement the parent country culture. The expatriate’s main tasks during the foreign assignments were: to standardize the procedures, change the organizations and train the managers as stated by the expatriate interviewee, his role was “setting the direction and being a coach to them,
in their work”. As he stated, the training sessions and lectures were often held by consultants or people from other parts of the company. Furthermore, he stated how he often explained how he had dealt with similar issues previously in his career when facing a situation where no formal or written instructions on how to proceed was present. To ensure that the procedures were implemented correctly, the expatriate interviewee often joined the sales team during the customer visits as a supervisor.

4.1.2 Inpatriates

Company Alpha also uses inpatriates to some degree, mainly to bring in experienced managers from the subsidiaries and as trainees, as stated by the manager interviewee. It was argued by the interviewee in the managerial position that the inpatriates that Company Alpha received were flexible and more receptive to receive the information from the start. As the expatriate interviewee said: “[they] are very open minded people and they want to learn and understand how we are working in Sweden and they are always very receptive to what we are trying to teach them here.”

4.2 Integration Policies

Both the expatriate and the manager stated that company Alpha does not have any formal integration policies. The integration lies heavily on the expatriate’s own efforts to make contacts and research the assignment destination. “It is typical [Company Alpha] way of doing things, you are expected to take care of things yourself and be on your own. Sink or swim,” according to interviewee A. Interestingly enough both the head of CRM and the expatriate preferred it this way, stating that the only area in particular that could use some improvement was company support for establishing bank accounts and dealing with various paperwork as this can be a rather complex ordeal to take care of in a new country.

In the beginning of the assignment the communication between the expatriates and the headquarters is fairly frequent but after three to six months the communication is limited and is based on the expatriate communicating with other members of the group around the world. There is communication between the headquarters and the subsidiary but the as the manager interviewee stated, Company Alpha considers the subsidiaries to be independent. Though there was a degree of communication between the expatriate and the headquarters afterwards the interviewee pointed out that, board meetings, interaction with the employees other than from the subsidiary took approximately 30% of his daily work.
4.3 Affecting Factors

4.3.1 The Length of the Assignment

Both of the primary sources argued similarly that the assignment’s standard length of three to five years was necessary in order to properly understand the subsidiary and be able to complete the necessary improvements. Previous experiences where the assignment only lasted one to two years were not as successful and it was argued that very little was achieved as at that stage new issues were still being discovered since the expatriate’s understanding of the subsidiary was still not complete.

The expatriate argued that typically the first year of the assignment abroad is spent getting to know the business and finding ways to implement new strategies or techniques. This is in strong contrast to the length of the inpatriate assignment in Sweden which typically only lasted between 6 and 12 months as stated by the manager interviewee.

4.3.2 The Role of the Family

Both of the primary sources at Company Alpha agreed that a supportive family is extremely important for an expatriate and their successful completion of their assignment abroad as most of the time the family accompanied the expatriate abroad. The expatriate at Company Alpha was careful to mention that a supportive family could have a very positive impact on the expatriate’s ability to perform their job and adjust to the culture. The expatriate interviewee also argued that if an expatriate had difficulty adjusting to the new culture and were unable to build a social network among the locals as a result, the spouse could either act as the social intermediary or simply as a social support. If the expatriate does not have a family accompanying them during the assignment the expatriate could quickly feel isolated and lonely. As interviewee A. stated, “You are on the other side of the planet, lonely and have no one to come home to or talk to after work.”

However, both the expatriate and the manager interviewee argued that an unsupportive spouse could act as a major hindrance and could be equally detrimental to these processes’. In fact, the leading cause for expatriate failure for Company Alpha was directly linked to family related issues, as the manager interviewee argued.

4.3.3 Trust

Trust was argued to be a key part in order to establish a relationship and thus be able to properly advise the workers at the foreign subsidiary. Though present among all subsidiaries abroad the expatriate interviewee felt that issues regarding trust had a particularly strong presence in the subsidiaries located in China, especially during the earlier phases of the assignment. Though the relation between the parent country national and the local employees was established before the actual expatriate assignment through
a few shorter visits to the subsidiary by the expatriate, it became apparent from the
interview that there were problematic elements such as distrust or lack of respect in the
relationship between the expatriate and the local manager. However, according to
interviewee A, even if a degree of trust did develop over time, which became apparent as
more active participation in the meetings by the local employees and their increased
tendency to share ideas, the expatriate interviewee mentioned that the local employees
were still reluctant to accept him into the local networks. There were still doubts from
both sides. The expatriate interviewee also pointed out that subconsciously it was rather
difficult to trust the employees in the local subsidiaries, as he stated “it was rather difficult
to say that you can Completely trust them [the local employees] ... you knew all the time
that you are not getting the 100% correct picture from them” even considering the fact
that interacting with the local employees and partners in different circumstances took up
approximately 70% of the daily work for the expatriate and that after returning from the
assignment, the expatriate interviewee still frequently communicates with the colleagues
from the subsidiary.

Distrust between the local managers and the expatriate could form as a result of many
factors. One thing in particular that The expatriate interviewee noticed was that Chinese
workers in particular had the tendency to believe and expect that the western expatriates
that came to the subsidiaries were taking jobs away from them. There was also an
additional factor that caused distrust between the expatriate and the local managers.
During several occasions it was revealed that certain information the expatriate
interviewee was not true or had been exaggerated. Such exaggerations could have several
other implications. Based on the faulty facts the expatriate would not have been able to
provide proper information and thus be able to successfully fulfill his assignment. In our
case, the expatriate caught onto this before too much time had passed. However there is
little doubt that such initial issues slowed down the process quite a bit.

4.3.4 Attitudes Towards the Expatriate

The local employees also expected the expatriates to be more competent and experts in
everything, meaning that if the expatriate failed to live up to the high expectations that
existed the locals would be far less respectful and receptive of the information. Similarly,
the manager interviewee mentioned that: “everybody looks to the “big boss” to take many
decisions.” During the assignment, the expatriate interviewee also got the impression that
some Asian workers were arrogant and as the expatriate put it, they considered themselves
to be “a little bit better than everyone else on this planet.” As the expatriate interviewee
added “we are working in a completely different way and expect the people in the
organization to have the expertise in their area.”

Speaking of difficulties during the assignment the expatriate interviewee said: “I would
say the most challenging is in the day-to-day business relationship. both with colleagues
and with customers and suppliers, the cultural differences because especially in Asia, there are so many subtle things going on that you are not aware of because you don’t know the language and you don’t really understand the culture to 100% so to be honest you could never be 100% sure in China,“

However the local managers who themselves had experience in cross-cultural environments, were far more receptive towards the expatriate and keen on absorbing knowledge according to both interviewees. Many of the more receptive local managers were from senior management positions with many years of experience from within the company and had already been to Sweden several times as inpatriates.

5. Analysis

5.1 The Importance of Knowledge for the MNC

From the interviews it became apparent that the knowledge is important for the company and both of the interviewees agreed that an expatriate serves an important purpose in communicating between the headquarters and the subsidiary and is effective in transferring both explicit and tacit knowledge from the headquarters to the subsidiary. These findings are consistent with the statements by Bresman et al. (1999). The main task of the expatriate was to transfer knowledge that was typically difficult to transfer through other means, i.e. tacit knowledge. The tacit knowledge that Nonaka and Takeuchi (1995) said to be embedded in individual experience could be transferred by offering on site consultancy, through training sessions, or providing instructions of how to handle situations that the company was facing. Most of the advice offered was typically based around the expatriate’s and other managers’ previous experiences with similar situations. In short, not only do expatriates transfer knowledge they also help ensure that the knowledge is assimilated. There are few who question need for firms who operate in several countries to use expatriates. Contrary to what Torre (2008) claimed the interviewed expatriate as well as the interviewed manager along with most of the existing literature (Becerra et al. 2008. Reiche et al. 2009) argued that the physical presence of an expatriate is of utmost importance and unlikely to be replaced any time soon.

As evident from the literature, the interviewees also agreed that there are several factors hindering or knowledge transfer. Similar to what Caligiuri (2000) claims, Company Alpha also argues that the success of the expatriate lies heavily on the individual expatriate’s ability to adjust to the local culture. Both of the interviewees greatly emphasized greatly this arguing that it is important for Company Alpha in particular because they have very few integration policies or activities. Furthermore, the ability of the expatriate to adjust is of additional importance as communication with the headquarters becomes rather limited after the first six months.
5.2 Issues Facing Expatriates as Facilitators of Knowledge Transfer

As has been previously established in the literature, China is one of the main countries that expatriates are assigned to (Fryxell et al. 2004). China was also one of the main destinations for Company Alpha as well. Furthermore, as the existing literature suggested our expatriate also argued that China was a rather difficult country to complete the assignment in, in part due to the cultural differences which also had an impact on several other factors (Kuhlman & Hutchings, 2008). This is in contrast to other countries with similar cultures to that of the expatriate, such as Canada where the expatriate interviewee argued that easier to complete the assignment. According to interviewee A, this was mainly because it was easier to interact with people with a similar cultural background which is in line with the literature emphasizing the importance of the expatriate’s ability to understand foreign cultures (Johnson et al. 2006. Caligiuri, 2000). The cross-cultural understanding again correlates with the length of the assignment.

As the literature suggests (Harzing, 2001) the average length of the expatriate assignment is 3-5 years which is the average length for Company Alpha as well. The assignment length has great implications on success of the assignment. On the one hand they are frequently not long enough as the expatriate frequently have to return shortly after becoming adjusted to the new environment and work community, thus only recently becoming able to transfer the knowledge. However, on the other hand the assignments have also been argued to be too long as long assignments cause additional problems especially regarding family, which causes further stress for the expatriate in question and is also a reason for the high turnover rate among expatriates (Harvey, 1997).

5.3 Issues Facing Inpatriates as Facilitators of Knowledge Transfer

As the manager interviewee pointed out, the inpatriates the company brings in as trainees, typically stay a maximum of one year. Expatriate assignments are from 3-5 years and as the expatriate interviewee said, the first year usually is spent just figuring out what is going on. It can be argued that the experience is similar to the inpatriate and therefore, though they may be very competent it may prove rather difficult for the inpatriate to attain all the knowledge from the headquarters necessary to run their operations as needed during their stay in the home country. Additional problems may arise which then need to be communicated and if the issue requires more tacit knowledge the inpatriate may need to return to the home country of the headquarters to receive additional help (Harvey & Buckley, 1997). These issues can thus quickly become expensive and the operations will slow down. Moreover, there is also the possibility that the inpatriate may not be as capable of identifying some of the issues at the subsidiary as the expatriate simply due to
the latter's previous experiences of the company in question, or as in Company Alpha’s case, the inpatriate may simply not have enough time as their assignment is typically significantly shorter, ranging from only 6 to 12 months according to manager interviewee from the headquarters.

This highlights another problem with the method proposed by Torre (2008). The method would be completely reliant on the local managers’ ability to identify the various issues their subsidiary is facing and then be able to explain this to others at the headquarters. It is probably for this reason that expatriates have remained a rather popular choice for companies to do business. However, the problems with using them remains.

5.4 Trust as a Fundamental Aspect of Expatriate Relations

Part of the inherent problem with doing assignments abroad is simply that the success is not solely based on the qualities of the expatriate but also on the qualities of those who are receiving the knowledge. Even if the expatriate successfully adjusts to the prevailing culture, his success also depends on the relationship between expatriate and the employees of the subsidiary, which as the findings suggest, are influenced by the attitudes and trust. As previous research has indicated, trust is one of the most important parts of building social capital and establishing strong ties. This was also noticed by the interviewees. Both social capital and strong ties are necessary in order to transfer tacit knowledge (Granovetter 1973), which is the expatriate’s primary job. A key reason why it takes such a sizeable amount of the time for the expatriate to adjust to the new workplace in the foreign subsidiary is because of the amount of time required to build trust among the local employees.

The greater the cultural differences that exist between the people the more difficult it is to form trust due to the cultural cognitive dissonance (Maertz et al 2009). This is of particular importance for Company Alpha as the structure of the network between the headquarters and the subsidiary in Company Alpha seems to be dependent on the relationship between the parent country national and the local manager. As the manager interviewee explicitly stated, there was no prior connection with the subsidiary established by the headquarters when introducing the expatriate. However there is a hierarchy present in the relationship between the expatriate and the employees in the local subsidiary to some degree, which Nahapiet and Ghoshal, (1998) identify as one of the possible linkages in the structural dimension.

A greater degree of trust implies a stronger tie between individuals, which translates to a greater degree of openness in communication and receptiveness towards other people’s ideas (Gupta & Govindarajan, 2000). As pointed out by interviewee A, after a period of time, he noticed how the subordinates in the subsidiary began to be more open to his ideas and instructions as well as more active in the meetings. This change was said to be gradual.
and as Inkpen and Tsang (2005) noted, it develops over time. These findings from the interviews are also in line with Gupta and Govindarajan’s (2000) statements.

Lack of trust or distrust in turn can have a negative effect on the relationship and therefore as Granovetter (1973) argued, can prevent forming of ties and slow the flow of knowledge. Distrust can present itself in various ways and can be shown towards both the expatriate and the local employees. A sign of distrust can be for example, arrogance, lying, or simply a refusal to listen to instructions. It can be argued that the expatriates are already off to a bad start since as stated by Brock et al. (2008) as well as Toh and DiNisi (2005), the presence of an expatriate in the subsidiary can have implications and may be interpreted as a sign of distrust from the headquarters or that the local employees are not worthy of managerial positions (Fryxell, et al. 2004). Similar to the statement by Brock et al. (2008), the manager interviewee said that the local employees were indeed afraid of the expatriate taking jobs away from them.

This can prove to have rather dire consequences considering that the main purpose for an expatriate to be present is to transfer knowledge. If their mere presence can harm this process that is a rather serious predicament. Such attitudes, though possible to overcome, undoubtedly slow down the transferal process and prolong the time of the foreign assignment of the expatriate thus making it all the more expensive for the headquarters and putting additional strain on the expatriate.

5.5 Distrust

5.5.1 Prejudice From the Subsidiary Employees’ Side

These attitudes may in part have also had their origin with the expatriate’s inability to live up to the expectations of the local managers at the subsidiary. In our case the expatriate interviewee experienced very high expectations from those at the subsidiary. Meaning that a failure to live up to these expectations, unrealistic as they may have been, could create further tensions between the expatriate and the locals, making them less receptive towards the new information even if it was valid and thus greatly disturbing the transferal process and, in particular, the assimilation process. Other prejudices against the expatriate were also noted, ranging from either lack of knowledge regarding the expatriate’s intentions or even his ethnicity (Millington, et al. 2006).

Strongly related to distrust, during the interviews it became apparent the local employees’ reluctance to take orders or to listen to the expatriate can be caused by the not invented here-syndrome. As the interviewee pointed out that the arrogance of certain Asian workers was problematic since they were reluctant to listen the orders and instructions from the expatriate. This arrogance can be associated with ego and further correlates with
Gupta and Govindarajan’s (2000) statement of the NIH-syndrome hindering the transfer of knowledge.

5.5.2 Prejudice From the Expatriate’s Side

A lack of trust could also be present from the expatriate’s side. Fears that the manager will use the knowledge gained to benefit another firm are very prevalent (Gooderham et al. 2013). This is particularly true in regards to local managers in China where a culture of job hopping has become all the more common, (Kuhlmann & Hutchings. 2010) as previously mentioned. This could be an issue for Company Alpha. However according to the expatriate interviewee this is a particular issue among the sales employees and managers rather than the inpatriates. The local managers seeking benefit for themselves at the expense of the headquarters and the distrust this creates is in line with what Tsai and Ghoshal (1998) argued. However, it is important to note that in most instances this is more true regarding younger inpatriates or local managers, as those who are older have typically had more time to build up trust among those in the subsidiary and headquarters, as it was with Company Alpha.

According to the expatriate interviewee there were also additional factors that could impact the formation of trust. He had, for instance, difficulties knowing if the local workers were telling him the truth since the local workers often exaggerated the facts and figures in order to please him. In one instance it was only later revealed that this was indeed not the case and that there were indeed several issues present. It is fully possible that the local manager avoided to tell the expatriate as he was unsure of how the expatriate would have reacted. As mentioned in the findings, the expatriate interviewee also stated that no matter how well he knew the local colleagues, he would always have the feeling of not getting the completely correct information and instead: “we tell everything that we know and give all the knowledge away and we expect and believe that we get the same back”, however, this was rarely the case. This indicates that the lack of trust hinders the formation of a strong tie, for as Granovetter (1973) argued, reciprocity is one of the characteristics of a strong tie.

5.5.3 Correlated Distrust

There is also the possibility that the local manager lied in order to save face. This is also something that is directly linked to Chinese culture as admitting that there were issues could cause embarrassment to the local manager (Adler, et al. 1992). If the manager had simply admitted that there were issues they could have quickly been addressed and handled accordingly. This is precisely how the situation was eventually handled; however this was only after the expatriate had discovered the issues himself. Either way this instance would indicate that the local manager either didn’t trust the expatriate enough to be able to communicate the issues they were having without risking his job or that he
didn’t believe that the expatriate would be able to discover the issues or be able to help solve them. Thus the expatriate was prevented from doing his job and as a result, distrust was created on the expatriate’s side as well.

5.6 How Trust can be Established

5.6.1 Inpatriate Ability to Help Adjust VABNs.

Much of the distrust is arguably the result of the expatriate and local manager’s failure to adjust their VABNs. Though this was not the case with Company Alpha it is not uncommon for other companies to include some form of course to help the expatriate integrate better (Black & Mendenhal, 1990). Naturally this is an added expense for the company and, one could argue that much of the information provided by the course could easily be provided by the inpatriate if they are able to form a strong tie with the expatriate.

The expatriate interviewee mentioned that even though there were not any formal and extensive integration policies, he found it easier to adjust to the foreign subsidiary due to the shorter visits prior the assignment. This implies that he had prior knowledge of the values and attitudes present at the subsidiary. However, the expatriate interviewee also said that it was very difficult to properly interact with the locals and that this had several repercussions later on, such as difficulties establishing trust. Part of the difficulties the expatriate interviewee experienced were due to the different attitudes and values from both his and the subsidiary side. The expatriate interviewee mentioned that some of the local employees had a hard time accepting him or his views because of their arrogance. On the one hand he argued that frequently they would not listen to his advice as they considered themselves to be far superior whilst on the other hand they were also afraid that he was stealing their jobs. As stated previously, the expatriate and local employees of the subsidiary were off to a bad start.

In contrast, however, interviewee A, also stated, the employees who had been on assignments at the headquarters or in other units of the company, were much more receptive and open to new ideas. It can be argued that the employees with international experience had been able to modify their perceptions, values and attitudes that helped them to decrease the cognitive dissonance towards the expatriate which is in accordance to what Maertz et al. (2009) argued. Considering that the local manager who had been relocated abroad, managed to modify his values and decrease the negative attitudes towards the expatriate, he is more likely to assume information from the expatriate and pass it forwards. As the expatriate interviewee stated, he was only training the managers in the local subsidiaries, not the overall personnel, to make sure processes and approaching customers are conducted in the desired way but the local managers were in charge of their subordinates in the foreign subsidiary.
Because of the decreased cognitive dissonance towards the expatriate, the local manager would also be less likely have the same high expectations that could otherwise exist between the expatriate and the locals due to the pre-existing ties between them. Furthermore the issues of distrust are less likely to be present between the local workforce and the former inpatriate manager even if they have been apart for a longer period of time much like Granovetter (1973) argued, when a person moves from one network to another, he or she establishes a link between these two.

**5.6.2 Inpatriates as a Link Between the Expatriate and the Local Employees**

As argued by Tsai and Ghoshal (1998) and Inkpen and Tsang (2005), a key incentive for trust is shared values and goals. Similarly, Dhanaraj et al. (2004) stated that a relationship between two actors “can be characterized in terms of the strength of their social ties, [...] and the extent to which they share common processes and values” (2004 p. 429). The relationship between the expatriate and the local managers can therefore be implied to be very strong. However, as the expatriate interviewee, said, he struggled to interact with the other local employees. The tie that exists between the expatriate and the subsidiary is arguably a weak tie or even absent if the expatriate has no prior contact with the subsidiary. Because the expatriate and the local subsidiary employees are unknown to each other there exists little or no trust between them; however they both know the inpatriate. As McEvily et al. (2003), argue “At an individual level, two people who have little or no knowledge of each other can develop trust for each other relatively quickly when they share trust in a common third party” (2003, p. 94). The effect a third party connection has on trust has also been brought up by Rousseau et al. (1998) who point out that one’s trustworthiness is influenced by the stories told by the third person. These stories can affect that person’s reputation positively or negatively. Rousseau et al. (1988) and Inkpen and Tsang (2005) also argued trust to be something that develops over time and therefore it can be argued that the longer time the expatriate and the inpatriate have to build trust between each other, the more likely the inpatriate is to act as a positive reference.

Toh and DeNisi (2005) discussed how expatriates “quickly lose credibility if they appear to have little local understanding or lack endorsement from other local staff managers” (Toh & DeNisi, 2005, p. 135). This would indicate, however, that if an expatriate is able to form a strong tie with the local manager who has been to the headquarters the expatriate would no longer lack the endorsements which would help the expatriate and the subsidiary employees adapt and get use to each other quicker through a mutual contact. Since, much like Kuhlmann & Hutchings (2010) argued, the local managers understand the work force better. Therefore, a strong tie with the inpatriate would be crucial in order to better communicate with the subsidiary.
5.6.3 Having a Strong Tie With the Local Manager

Since one of the local manager and the expatriate from company Alpha already had some experience from each other’s cultures they experienced less cultural cognitive dissonance toward one another. Therefore, if the expatriate is able to adjust their VABNs before going abroad the expatriate may be able to access the inpatriate’s network and form several weak ties with the local workers. By having time to adjust their VABNs before traveling abroad it is also less likely that the expatriate will make mistakes that are frequently made by people in a new culture (Maertz et al. 2009). It is also therefore less likely that the expatriate causes further distrust or annoyance among the locals as a result of these mistakes. Though present to a certain degree it is likely that working with the local manager would have given the expatriate time to adjust their VABNs to decrease the dissonance before traveling abroad to the subsidiary, thus making it easier for the expatriate to form ties with others among the local workforce or vice versa. Though the expatriate interviewee was able to eventually adjust his VABNs to a degree this was only after he had worked at the foreign subsidiary for an entire year. If the expatriate is successful in adjusting their VABNs the former inpatriate may even help the expatriate form other business ties, thus increasing the social capital of the expatriate. Forming additional business ties is of particular importance in China where forming guanxi networks is of great importance in order to for people to further expand their business network (Park & Luo, 2001. Fryxell et al. 2004. Kuhlman & Hutchings, 2010).

Furthermore, even if the expatriate is incapable of forming any closer ties with the local workforce, or with other networks by himself, the expatriate may very well be capable of transferring knowledge to and receiving knowledge from them through the local manager if they had been able to form a strong tie previously. Though the transferal process is slowed down as a result it is not completely stalled. The other local employees are also less likely to be as skeptical towards the new knowledge if it comes from the former inpatriate compared to if it comes from the expatriate. The NIH syndrome would be less likely to take root as the inpatriate would ultimately be part of the knowledge transfer and assimilation and thus form part of the new knowledge. In addition, it is also possible that if the inpatriate and expatriate are able to form a strong tie there will be less of a chance that the expatriate will receive inaccurate information from the other managers at the subsidiary, as indicated by Gupta andGovindarajan (2000).

5.7 The Impact a Positive Relationship Can Have on the Length of the Assignment

Forming a strong tie requires active social engagement from both parties (Nonaka 1994) and time and effort (Tortoriello et al. 2012). As stated before, an expatriate assignment with an average length of two to five years is often considered too short and if the cultural
differences are big, it takes a lot of time to adapt to the prevailing culture, let alone build a relationship with the people. According to the expatriate interviewee having visited the subsidiaries prior to the assignment, it was easier to adapt to the new working environment in the subsidiaries. When a foreign manager would first relocate to the parent company headquarters, it would allow the expatriate to form a relationship early on prior to the assignment and it can be argued to be easier since the expatriate would not need to focus or adapt to all the possible cultural differences simultaneously. Instead the process would be gradual and allow the expatriate to adjust their VABNs and expectations before arriving at the subsidiary. This could indicate that if the integration process is made more efficient that the overall assignment may also be shorter as a result since the expatriate is able to establish strong ties, build social capital and thus, transfer tacit knowledge more efficiently.
6. Conclusion

The purpose of this study was to determine what factors affect the relationship between an expatriate and the local subsidiary and how it impacts the overall knowledge transfer from the headquarters to the foreign subsidiary. In this study, two research questions were answered.

1. Why are expatriates used to transfer knowledge?

In order to transfer knowledge from the headquarters to foreign subsidiaries most companies still rely heavily on expatriates, especially in regards to the transfer of tacit knowledge, such as sales techniques and experience or management experience. As such the company is heavily reliant on the expatriate’s ability to adjust, build ties and trust in order to successfully transfer the knowledge to the foreign subsidiary.

2. What affects the relationship between the expatriate and the foreign subsidiary and what implications does this relationship have on the success of the transfer of knowledge?

It became apparent that culture is key in understanding the relationship. The greater the cultural differences between the headquarters and the foreign subsidiary are, the more difficult it typically is for the expatriate to build trust among the local workforce at the subsidiary. Trust is of great importance in order to form ties and build social capital. Trust is strongly tied to the Values, Attitudes, Beliefs and Norms of an individual. In order for two individuals to get along these need to be adjusted in order for them to decrease the cultural cognitive dissonance that arises as a result (Maertz, et al. 2009). If the expatriate fails to do just that they are unlikely to be able to transfer the knowledge from the headquarters to their foreign subsidiary and are thus unlikely to complete their assignment in a successful manner. Issues regarding the expatriate’s family could also have an impact on the expatriate’s ability to adjust due to the added stress factors. Many of these family issues were directly linked to the length of the assignment and could even cause the expatriate prematurely withdraw from the assignment.

The empirical findings from the case study as well as the literature suggest that should the parent country national and the local manager have experience in each others’ cultures, it would have a positive effect on their ability to establish trust between each other as there will be less cultural cognitive dissonance. Trust appeared to have very important role in the relationship between the expatriate and the local manager further increasing the possibility of a successful knowledge transfer. The role of the inpatriate also had a greater impact than originally expected as they act as the intermediary of knowledge between the expatriate and the other employees at the foreign subsidiary and,
therefore, play a key role in the knowledge assimilation process. Having a former inpatriate or host country national with experience from the expatriate’s home country present at the subsidiary would decrease the suspicion and increase trust levels between the expatriate and the other local employees, as indicated by Toh and DeNisi (2005) and Granovetter (1973). Therefore, it may be beneficial for Company Alpha to use more inpatriates as they can prove to be of great value in aiding future expatriates.

As the expatriate interviewee said, the first year of the assignment is usually spent coping with the new situation rather after which one is capable of starting the actual work. It can be argued that if the integration process is improved that this should have an overall positive effect on the assignment length, making it shorter thus tackling an additional factor that typically has a negative effect on the expatriate.
7. Discussion

The impact of how the prior knowledge of the foreign culture affected both the inpatriates’ adjustment and the local employees’ attitudes towards the expatriate was not expected. In particular, the importance of the role that the local manager plays was an aspect that proved to be particularly striking. They could greatly impact the success of the expatriate’s assignment. It was revealed that the managers who themselves had experience with working in the country of the headquarters were more likely to be receptive and more likely to be able to establish trust with the expatriate.

This implies that if an inpatriate would first be assigned to relocate to the parent company headquarters and work with the manager who later on would relocate to the subsidiary it could allow the manager in the parent country (the future expatriate) to form a strong tie and establish trust with the manager from the subsidiary prior to the expatriate assignment. The expatriate would in turn connect the headquarters and the subsidiary (Reiche et al. 2009). Linking the headquarters and the subsidiary through a stronger tie between the expatriate and the inpatriate would be beneficial in terms of faster adaptation which arguably translates to efficiency.

The local manager would be familiar with the parent company’s procedures and culture and through a strong tie with the expatriate, he or she would be more willing to committed to transferring the parent company’s agenda to the workers in the subsidiary. Additionally, if the expatriate is accompanied by a returning inpatriate with strong ties to the local workforce they should also be less likely to perceive the presence of the expatriate as a sign of active distrust from the headquarters as could otherwise be the case (Brock et al. 2008). They would thus also be more receptive towards the information that the expatriate has to offer, meaning that the process of knowledge assimilation would be easier (Zahra & George, 2002) . This is particularly true if the returning inpatriate and expatriate have been able to form a strong tie between each other.

In addition, since the improved trust levels would mean that the expatriate therefore spends less time abroad less strain is placed on the expatriate’s family. Even if the spouse had to temporarily pause their career they would not have to do so for as long. Granted certain problems are likely to remain as the family would still need time to adapt to the foreign culture the expatriate would have less issues doing so due to the ties formed with the local managers. It is also possible, depending on how well the expatriate and the former inpatriate socialized outside the workplace that the spouses of the two had the chance to form ties between one another, thus opening up the possibility for the spouses to form a network of weak ties through each other. The same goes for the inpatriate and their family if they accompanied the inpatriate to the headquarters’ country. They too would spend less time abroad which should decrease the stress levels for the inpatriate and thus help focus more on completing their assignment. There is also the added fact that the families of both the inpatriate and the expatriate are more likely to be supportive.
and thus acting as a positive boost on the expatriate and inpatriate’s abilities to adjust and perform at the workplace, if the assignment is shorter, as implied by Harvey (1997).

Since the duration is shorter the expatriate is unlikely to feel as many pressures from at home and will thus be able to focus more on completing their assignment in a timely matter. The decrease in stress from the family is also likely to positively influence the turnover rate among repatriates as family linked issues tied with the expatriate stay were a leading cause for expatriates departure from the company once they returned home, (Harvey, 1997). Such an approach makes sense from a theoretical perspective.

7.1 Limitations

There are certain limitations to our research that need to be addressed. First and foremost, since we aim to analyze the difficulties that expatriate’s experience during their assignments abroad the information discussed during the interviews is of a rather personal nature. This could impact the trustworthiness of their answers. Though several steps were taken to ensure their anonymity there may be a degree of hesitation on their part. Furthermore, since this is a single case study the conclusions may prove to be different from that of a multiple case study. Having more interviewees and/or more cases could reduce the possible bias in the research and further increase the trustworthiness. However, due to both the sensitivity of the information and the limited time frame it proved to not be feasible to conduct a multiple case study, even though several companies and interviewees were approached.

As mentioned in the conclusion, using more inpatriates could be more beneficial for the company. However, there are certain limitations to this suggestion as well. Though the number of competent local employees may be increasing due to the rising educational standards (Toh & DeNisi, 2005. Gamble, 2006. Kuhlman & Hutchings, 2010) this is not necessarily the case with the more experienced managers (Fryxell et al. 2004). The lack of experienced managers may put certain restrictions on a subsidiary’s ability to have a manager go on an assignment to the headquarters for a couple of years. It is quite possible that they can not spare any of their experienced managers. Though this may be a problem that many face currently it is unlikely to remain.

7.2 Future research

This thesis was initially undertaken with the intent to discover how expatriates are used by organizations to transfer knowledge and what factors affect the relationship between an expatriate and the foreign subsidiary. With our single case study, we contributed to the
existing studies with our research on how to possibly improve the relations between the expatriate and the foreign subsidiary.

We realize that there still is room for future research. However, with this case study we hope to have shed some additional light on aspects that affect the relationship between expatriates and the foreign subsidiary. Even though the fact that the expatriate and the local managers had previous experience from each others’ culture was coincidental, it could be a topic for future research to study how a conscious effort to combine inpatriates and expatriates during the same assignment has an effect on the transfer of knowledge. Future research can be geared towards testing our suggestions in practice. Tests can be conducted in multiple firms and in several different industries in order to determine whether or not the method functions in practice. Additional limitations or strengths may be discovered when comparing the results produced by the method used in multiple firms between several different countries.
References


