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Knowledge Transfer in Multinational Corporations: Productive and Counterproductive Effects of Language-Sensitive Recruitment

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ABSTRACT

This paper focuses on the multi-faceted role of language and language-sensitive recruitment processes in knowledge transfer in multinational corporations (MNCs). In particular, we develop a framework that helps to better understand how language-sensitive recruitment is related to competence, networks, identity and power. We started by conducting a qualitative interview-based study of 101 MNC subsidiaries. This analysis elucidates the productive and counterproductive effects of language-sensitive recruitment on knowledge transfer related to communication competence, networks, identity, and power. To further understanding of the productive and counterproductive effects, we conducted a quantitative study in 285 MNC subsidiaries. We found an inverted U-shaped relationship between language-sensitive recruitment and knowledge transfer. Together, these two studies provide a better understanding of the multifaceted and at times counterintuitive implications of language-sensitive recruitment on knowledge transfer in MNCs. By elucidating these effects, this paper contributes to the stream of research examining the role of language in MNCs and international business more generally. It also adds to research on MNC knowledge transfer that to date has focused little attention on language. By elaborating on the potential unintended consequences of language-sensitive recruitment, this paper also has implications on international human resource management research.

Keywords: language, language-sensitive recruitment, knowledge transfer, identity, power, network, multinational corporation

Knowledge Transfer in Multinational Corporations: Productive and Counterproductive Effects of Language-Sensitive Recruitment

INTRODUCTION

The competitive advantage of an MNC is based on its ability to transfer knowledge effectively and efficiently through their intra-organizational networks (Bartlett & Ghoshal, 1986; Kogut & Zander, 1993). While language is an essential part of knowledge transfer (Welch & Welch, 2008), it has not received adequate attention in this stream of research. To date, research in this area has focused predominantly on language competence, suggesting that language problems can be solved by ensuring that employees have sufficient proficiency in the corporate language or lingua franca used in the corporation (Marschan-Piekkari, Welch, & Welch, 1999a). However, studies in closely related areas have brought to the fore other aspects of language, linking it with culture (Brannen, 2004), identity (Frenkel, 2008), and power (Vaara, Tienari, Piekkari, & Sääntti, 2005). These insights suggest that the role of language in MNC knowledge transfer is more complicated than usually assumed and that there is a need to elaborate on the processes through which language is linked to knowledge transfer.

To partially bridge this research gap, this paper develops a multifaceted view of language in MNC knowledge transfer. In particular, we focus on language-sensitive recruitment, which is identified as a key human resource management (HRM) practice affecting language competences and language use in MNCs (Lester, 1994; Reeves & Wright, 1996; Van den Born & Peltokorpi, 2010). For example, Lester (1994: 43) argued that hiring employees with sufficient language proficiency is “the easiest and cheapest way to approach the language problem”. By language-sensitive recruitment, we refer to recruitment practices in which a certain proficiency in the corporate language is used as a precondition for employment. We, however, maintain that this relationship is more complex than it appears on surface and that systematic analysis is needed to understand the productive and potential counterproductive effects of language-sensitive recruitment on knowledge transfer in MNCs. For this purpose, we define knowledge

transfer in a broad manner, including the processes of knowledge creation, sharing, and use within an MNC and its various parts.

To examine the effects of language-sensitive recruitment on knowledge transfer, we conducted a mixed-method study on MNC subsidiaries in Japan involving qualitative interviews and survey data analysis. In the first study, we drew from 138 interviews with parent country national (PCN) expatriates, host country national (HCN) employees in MNC subsidiaries and with executive search consultants (referred to as ‘consultants’ hereinafter). These interviews were conducted in 101 sales and service-related subsidiaries in a wide range of industries. The findings allowed us to inductively develop a deeper understanding of the productive and counterproductive effects of language-sensitive recruitment on knowledge transfer. More specifically, we developed a framework that elucidates the productive and counterproductive effects related to communication competence, network development, identity building, and longer-term power implications. In the second study, we used survey data derived from 285 sales and service-related MNC subsidiaries in Japan. We conducted hierarchical regression analyses that allowed us to validate and build on the results of the qualitative analysis. Interestingly, these analyses suggest that there is a curvilinear (inverted U-shaped) relationship between investment in language-sensitive recruitment and knowledge transfer.

This study contributes to international business (IB) research on language and knowledge transfer in three ways. First, our empirically-grounded framework elucidates the complex multifaceted effects of language on knowledge transfer – thereby adding to research on more general effects of language in MNCs (Marschan-Piekkari, Welch, & Welch, 1999b; Park, Hwang, & Harrison, 1996; Peltokorpi, 2007). Second, by drawing on related research (Brannen, 2004; Frenkel, 2008; Vaara et al., 2005), our analysis demonstrates that language in MNC knowledge transfer involves much more than the decoding of a linguistic signal. In particular, we elaborate on the myriad of productive and counterproductive effects that language-sensitive recruitment may have on knowledge transfer. Third, by so doing, our study also contributes to research on international HRM by elaborating on the potential unintended consequences of language-sensitive recruitment.

The rest of this paper is organized as follows. The following section briefly reviews the literature on language in knowledge transfer and then develops a multifaceted view on the role of language in knowledge transfer in general and on language-sensitive recruitment in particular. The third section describes our qualitative analysis and its findings. The fourth section focuses on the quantitative analysis and its findings. The final section discusses the theoretical and managerial implication as well as the limitations of our analyses and provides suggestions for future research.

THEORETICAL FRAMEWORK

Language in MNC Knowledge Transfer

Knowledge transfer has long been argued to be a key source of an MNC's competitive advantage (Bartlett & Ghoshal, 1986; Kogut & Zander, 1993). Knowledge transfer is important because it allows headquarters (HQ) and globally distributed subsidiaries to learn from each other (Gupta & Govindarajan, 2000), increasing the MNC's overall knowledge base and competitive advantage (Bartlett & Ghoshal, 1986; Kogut & Zander, 1993). Over the years, researchers have provided rich empirical evidence on various ability and motivation-related determinants of knowledge transfer, such as absorptive capacity (the ability to recognize the value of new information, assimilate it, and apply it to commercial ends) (Cohen & Levinthal, 1990), interdependence, shared vision, and trust, as well as the outcomes of knowledge transfer related to innovation, learning, and performance (see Michlailova & Mustaffa, 2012, for a review). While researchers have conventionally focused on knowledge transfer from HQ to subsidiaries, more recent studies take into account horizontally and vertically integrated networks where knowledge flows in all directions within the network. HQs benefit from their subsidiary knowledge in numerous ways; it helps them to fine-tune and coordinate their global strategies, improve processes in their own or other units in the MNC's global network, or provide the missing link in the quest to develop new products (Ambos, Ambos, & Schlegelmilch, 2006).

Knowledge transfer often requires an articulation or externalization process that makes personally held tacit knowledge more explicit and accessible to others (Welch & Welch, 2008). In this process,

language is an essential, if not the most fundamental, part of knowledge transfer (Welch & Welch, 2008). Despite its central role, language has, however, received relatively little explicit attention in IB research. This is especially the case with knowledge transfer. In this research, a common presumption is that language commonality enhances knowledge transfer. Language commonality is defined as the extent to which people share a common understanding of the shared language, including skills (e.g., conventions, phonological, and grammar structures) and knowledge about using the language where applicable (Clement & Gardner, 2001). For example, a quantitative study in 164 subsidiaries in China and Finland showed that language commonality had a positive influence on two antecedents of knowledge transfer: shared vision and perceived trustworthiness (Barner-Rasmussen & Björkman, 2007). Language commonality is further argued to facilitate corporate identity, which in turn enhances knowledge transfer (Ambos & Ambos, 2009; Barner-Rasmussen & Björkman, 2007; Phene, Madhok, & Liu, 2005). In a study on translation behavior, the foreign language proficiency of an average employee was also used as a part of an MNC's language absorptive capacity (Piekkari, Welch, Welch, Peltonen, & Vesa, 2013). In this view, language absorptive capacity refers to the ability of an MNC to absorb and use information and knowledge that cross language boundaries – either entering or moving around the MNC. In subsidiaries, language commonality provides HCNs with an advantage over PCNs in acquiring and transferring knowledge from local communities (Fang, Jiang, Makino, & Beamish, 2010).

Language differences, in turn, hinder knowledge transfer. For example, a case study of Western subsidiaries in China showed that knowledge transfer required all documents to be translated into Chinese, delaying knowledge transfer and increasing transfer costs (Buckley, Carter, Clegg, & Tan, 2005). Theoretically, Slangen (2011) has argued that language barriers hindering MNC knowledge transfer consist of two components: native and foreign language barriers. Native language barriers arise if PCN and HCN employees do not master each other's native language and if the languages themselves are so unrelated that even basic verbal messages are difficult to comprehend. The smaller the fraction of PCNs and HCNs mastering each other's native languages and the more these languages differ from each other, the higher the native language barrier. Foreign language barriers arise if HCNs do not master the third-

country language used within the corporate network of their MNC parent; the more deficient HCNs are in that language, the higher the foreign language barriers. Native and foreign language barriers increase the costs that subsidiaries and HQ have to cope with before their employees understand verbal and written messages that they transfer to each other. Language distance, differences between sending and receiving units in terms of national languages, has also been shown to impede MNC knowledge transfer (Ambos & Ambos, 2009).

To reduce language barriers to knowledge transfer, MNCs have implicit or explicit language policies for corporate communication, documentation, and interaction (Luo & Shenkar, 2006). Language-oriented HRM practices are the concrete means through which language policies are enacted in MNCs. For example, Reeves and Wright (1996) have proposed that MNCs are able to remove language barriers by recruiting employees with the required language proficiency, providing language training for employees who need it, and making better use of existing language-proficient employees. In particular, language-sensitive recruitment has been seen as the quickest and most effective way to remove language barriers in MNCs (Lester, 1994). However, research also suggests that language-sensitive recruitment is not always a viable option and may even have negative effects on knowledge transfer. For example, MNC subsidiaries in South Korea (Park et al., 1996) and Japan (Peltokorpi, 2010) have faced challenges in recruiting HCNs with sufficient English proficiency due to a shortage of such people in the local labor market. It has also been suggested that the functional and language competence of HCNs are not always aligned (Marschan-Piekkari et al., 1999a), thereby increasing the chances of suboptimal hiring decisions (Ehrenreich, 2010). For example, a case study in a German MNC shows that hiring HCNs on the basis of their English rather than their technical competence has ended with the MNC “getting a bloody nose” (Ehrenreich, 2010: 417). This indicates that while a certain degree of proficiency in the corporate language is a prerequisite for knowledge transfer, little knowledge can be transferred, if hired HCNs do not have sufficient functional skill.

While enhancing our understanding of language and language-sensitive recruitment in knowledge transfer, the research reviewed has taken a rather narrow perspective on language. In the bulk of this

research, language is regarded as a value-free medium of communication; the focus is on language proficiency. However, language is much more than a neutral medium in communication – as shown in many other scholarly areas. For example, anthropologists regard language as an important part of one's culture, habitus, and symbolic capital (Bourdieu, 1991), discourse scholars and sociolinguists consider language the basis for one's identity and power relations (Fairclough, 2001; Gumperz, 1982), and sociologists view language as an essential building block of socially constructed knowledge (Berger & Luckmann, 1966). As elaborated on below, management scholars have also provided important insights into the constitutive role of language in organizational knowledge and practice transfer. Thus, to develop a fuller understanding of the implications of language-sensitive recruitment for knowledge transfer, it is important to complement the predominant focus on language as a medium of communication with broader and more critical perspectives that help to elucidate the complex and unintended consequences that language and language-sensitive recruitment may have for knowledge transfer.

Towards a Multifaceted View of Language in MNC Knowledge Transfer

Management scholars have elaborated on the multifaceted processes in knowledge and practice transfer (Brannen, 2004; Djelic, 1998; Frenkel, 2008; Frenkel & Shenhav, 2003). For example, Djelic (1998) drew on institutional theory to examine the “Americanization” of business models and knowledge in Europe. A stream of research adopting a comparative institutional perspective has subsequently examined the cultural and socio-political problems in knowledge and practice transfer (Clark & Geppert, 2006; Saka, 2004). Other studies have dealt with language more explicitly. Brannen (2004) drew on semiotic tradition to develop a recontextualization perspective on practice and knowledge transfer. In her model, language has two levels: the signifier and the signified. Together, signifier and signified constitute a sign (e.g., a word) and the idea to which the sign refers. There is no inherent link between the two; the meaning associated with words can be described in terms of conceptual (the literal meaning of a word) and associative meaning (its largely locally determined connotations). The model suggests that semantic fit between senders and receivers affects MNC knowledge transfer. By drawing on Bhabha's postcolonial

theory (see also Frenkel & Shenhav, 2003), Frenkel (2008) in turn described MNC knowledge transfer as a process of mimicry, hybridity, and third space, elucidating the (re)construction of geopolitical power relations in knowledge transfer between HQs (often the colonizer) and subsidiaries (often the colonized). Although these scholars have concentrated on specific practices rather than ongoing knowledge transfer, the insights they have provided highlight the need to focus attention on broader aspects related to communication competence, networks, identity, and power when examining the role of language in MNC knowledge transfer. We elaborate on these four aspects below to develop a multifaceted view of the impact of language in general and of language-sensitive recruitment in particular on MNC knowledge transfer.

Communication competence. In this paper, communication competence refers to one's ability to communicate effectively and efficiently through language boundaries (Louhiala-Salminen & Kankaanranta, 2011). Consisting of cultural, linguistic, and functional dimensions, communication competence is a broader concept than language commonality. For example, language proficiency facilitates but does not guarantee error-free knowledge transfer because cultural values manifested through communication styles act as barriers to perceiving, analyzing, and decoding explicit and implicit messages (Kassis Henderson, 2005). In fact, echoing Brannen's (2004) semiotic model, a shared language in intercultural interactions may create a false impression that people also share the same context and the same interpretation (Baba, Gluesing, Ratner, & Wagner, 2004; Kassis Henderson, 2005). Indeed, as Gumperz (1982) has emphasized, people tend to interact on their native contextualization cues or communicative norms even when they speak in another language (and even when they are highly proficient in the language).

Networks. Case studies have shown that language-based social networks, in particular informal networks, affect the direction and amount of knowledge transferred in MNCs (Marschan-Piekkari et al., 1999b; Mäkelä, Kalla, & Piekkari, 2007). Specifically, these studies demonstrate that knowledge transfer occurs in language-homogeneous networks even in the case of geographic distance among individuals in MNCs. They further suggest that it is through language that an individual gains access to – or is denied

access to – informal networks. Thus language is not just a prerequisite for informal networks but also has an important role in structuring patterns of connections and generating language-based clusters in MNCs (Marschan-Piekkari et al., 1999b). In addition to the language homogeneous networks in MNCs, research has shown that language nodes (bi- or multi-lingual employees) link language networks within and beyond subsidiary boundaries (Andersen & Rasmussen, 2004; Peltokorpi, 2007). Language commonality may thus act as a bridge or conduit between various organizational groups, promoting interactions and development of strong network ties through which complex, tacit knowledge can be transferred more efficiently. At the same time, language commonality can act as a barrier, determining who is inside the network and who is outside. While the above findings can be used to connect language-sensitive recruitment with language networks and knowledge transfer, a study in a US-subsidiary in Japan suggests that language commonality alone does not explain knowledge transfer networks (SanAntonio, 1987). In contrast to English-proficient HCNs with overseas experience willing to join expatriate networks, HCNs proficient in English without overseas experience rejected foreign values openly and stressed their membership in HCN networks.

Identity. Related to networks, language is a key part of identity construction (Bourdieu, 1991; Brannen, 2004; Frenkel, 2008). In fact, sociolinguists argue that language is a stronger determinant of social identity than cultural values and demographic attributes such as age and gender, due to the strong functional and psychological barriers they pose to social interaction (Giles & Johnson, 1981). Research also suggests that even small differences in accents may evoke in-group and out-group formation (Wells, 2013). If salient in-group and out-group boundaries exist in MNC subsidiaries, HCNs able to speak the corporate language may not be willing to speak in any language with expatriates and HQ personnel (Von Glinow, Shapiro, & Brett, 2004). Interestingly, a case study in a Canadian technology company suggests that different mother tongues arouse strong group-focus emotions on different sides of the language divide (Huy, 2011). Specifically, Huy found that Francophone managers experienced a lack of respect for their social identity when Anglophone managers did not make an effort to speak French with them. Thus, language-based social identification is likely to influence with whom and how much individuals transfer

knowledge. Furthermore, as implied by studies of Brannen (2004) and Frenkel (2008), identification with the MNC vis-à-vis the local communities may have a fundamental impact on the dynamics of knowledge transfer.

Power. Language is also closely linked with power. In particular, language policies and practices increase power inequalities in MNCs (Blazejewski, 2006; Vaara et al., 2005). For example, Vaara et al. (2005) described how corporate language choice and proficiency became a source of power in a Finnish-Swedish bank merger. Many Finnish employees resented being required to speak the corporate language, Swedish, which they had not fully mastered; they felt inferior when expressing their ideas to their Swedish counterparts, who could communicate in their mother tongue. In addition, language-sensitive recruitment can create language-based power differences among HCNs, excluding important knowledge carriers from organizational information flows (Blazejewski, 2006). For example, Mir and Mir (2009) described how power relations affected knowledge transfer from an Indian subcontractor to a US-based MNC. Further, a study in Israeli software companies and their Indian subsidiaries indicated that HCN employees lower in the hierarchy were less likely to share their insights and transfer knowledge (Zaidman & Brock, 2009). Although proficiency in the corporate language is often a source of power in subsidiaries, there are also indications that HCNs may have limited career advancement opportunities in the MNC global network (Banai, 1992), which is likely to decrease their motivation to transfer knowledge. Taken together, language is inherently linked with power relations, with various kinds of potential effects on knowledge transfer.

Summary and Research Question

Language has proven to be much more than a simple, ‘neutral’ medium through which knowledge is transferred between senders and recipients. More specifically, there is reason to assume that language has multifaceted effects on knowledge transfer that relate to communication competence, networks, identity, and power. To provide more comprehensive understanding of these effects, this study seeks to answer the following research question: What kinds of productive and counterproductive effects does language-

sensitive recruitment have on knowledge transfer? To answer this question, we conducted two studies in MNC subsidiaries in Japan.

QUALITATIVE STUDY

Setting and Research Design

We started by conducting a qualitative interview-based study in MNC subsidiaries in Japan given the need to develop in-depth understanding of a relatively unexplored area (Birkinshaw, Brannen, & Tung, 2011; Miles & Huberman, 1994). In our study we used an empirical contextualization strategy (Ketokivi & Mantere, 2010) in which the research context is considered to be of interest, rather than a limitation. The importance of context has also been emphasized in IB research on knowledge transfer (Mir & Mir, 2009; Zaidman & Brook, 2009).

Japan provides a revealing setting for our purposes because the low English proficiency of average HCNs and their preference for working in domestic companies may affect language-sensitive recruitment and knowledge transfer in subsidiaries. Average Japanese scores on the Test of English for International Communication (TOEIC) scores are among the world's lowest, and Japan ranks 180 out of 189 countries in the Test of English as a Foreign Language (TOEFL) (Yoshihara, Okabe, & Sawaki, 2001). In general, the Japanese have difficulties in learning foreign languages and are reluctant to use them (SanAntonio, 1987). In addition to low average English language proficiency, the Japanese are said to build national identity and distinguish themselves from 'foreigners' because of their national language and insufficient English proficiency (Rivers, 2011). Critics have also argued that the dominance of English has negative effects on the Japanese language and on people's view of language, culture, race, ethnicity, and identity (Kubota, 1998).

Subsidiaries of foreign MNCs might further find recruiting high-quality work force in Japan challenging because HCNs in general are not interested in working with foreigners and in foreign companies (SanAntonio, 1987), and not willing to forgo the "life-time employment security" offered in domestic companies (Ono, 2007: 269). In Japan, domestic companies continue to be the most desirable

employers in annual surveys (Ono, 2007) and those who work for foreign-owned companies are often regarded as “maverick Japanese” who have “displaced loyalties or could not cope with the Japanese environment” (Kang, 1990: 216). Despite these challenges, knowledge transfer from Japanese operations is identified to provide important benefits to MNCs because of the technological development and sophisticated markets in Japan (JETRO, 2003). For this reason, MNCs also often use Japan as a venue for testing novel and innovative products (JETRO, 2003).

Data

In this study, the selection criterion was HCNs and PCNs working in foreign subsidiaries and consultants having subsidiaries as their main clients in Japan. The consultants were interviewed due to their extensive involvement in the recruitment of and the dominance of mid-career recruits in subsidiaries in Japan (Ono, 2007). Informants, whose contact details were obtained from chambers of commerce, by snowballing and with an Internet search, were contacted by e-mail and telephone. The interviews were conducted with 61 PCNs, 40 HCNs, and 37 consultants in the Osaka and Tokyo regions between 2002 and 2010. The PCNs worked as subsidiary presidents (n = 50) and managers (n = 11) and the HCNs as subsidiary presidents (n = 10), managers (n = 8), and staff (n = 22). Among the 101 PCNs and HCNs, 82 were male and 19 female. Among the 37 consultants, 24 were foreigners, 13 Japanese, 27 male, and 10 female. The consultants covered one or more industries such as finance & insurance, information technology (IT), manufacturing, and pharmaceuticals.

The average length of the digitally recorded interviews was 47 minutes. All the interviews were conducted face-to-face by two non-Japanese male interviewers proficient in English and Japanese, largely at the workplace in an area where the interviews could not be overheard. During the interviews, the interviewers refrained from using complicated academic terms that might have alienated the interviewees and induced them to behave in an overly formal manner (Langdridge, 2004). All interviews with HCNs and PCNs started with the collection of background information about the interviewees and their companies and continued with questions about the language-oriented HRM practices used in their

companies and any challenges posed by these practices in their companies (see Appendixes A and B). These interviews were conducted in English and Japanese. The interviews with consultants were used to verify the findings and to provide additional information on language-sensitive recruitment in subsidiaries (see Appendix C). These interviews were conducted in English. All English-language interviews were transcribed verbatim by two interviewers and four research assistants. All non-English interviews were translated into English by two interviewers and three bilingual research assistants to facilitate data comparison. Japanese words that were difficult to translate or had ambivalent meanings were kept in their original form. In addition, more information was obtained from additional informal meetings with 10 PCNs, company documents, company websites, and notes taken during visits to the subsidiaries.

The final sample consists of 101 MNC subsidiaries as either one HCN or PCN was interviewed in each of them. These sales and service-related subsidiaries, with an average of 658 employees, operated in machinery (21), pharmaceuticals (12), IT (11), consulting (10), finance and insurance (10), logistics (10), electronics (9), wood and paper (6), and other (12) industries. Categorized on the basis of size, 36 of these subsidiaries were small (< 20 employees), 23 mid-sized (20-100 employees), and 42 large (> 100 employees). Their parent MNCs represented 11 home countries, the USA being the most common with 23% of the sample. In the US-based and other subsidiaries, English was the prominent foreign language used in knowledge transfer. Categorized by age (years of host country operation), 29 of the subsidiaries were new (< 4 years), 36 mid-aged (5-9 years), and 36 old (> 10 years). PCNs were a minority (< 10% of employees) in all these subsidiaries. More specifically, the PCNs constituted less than 5% of the employees in 77 subsidiaries and between 5-10% in 24 subsidiaries. There were fewer PCNs in the 'old' subsidiaries.

Analysis

Our data analysis approach was abductive, which assigns primacy to the empirical world but in the service of theorizing (Van Maanen, Sørensen, & Mitchell, 2007). An abductive approach is recommended especially for research areas that lack established theories (Van Maanen et al., 2007). We thus developed

our theoretical ideas alongside a data analysis conducted throughout the process of data reduction, display, conclusion drawing, and verification (Miles & Huberman, 1994) with NVivo 8 qualitative data analysis software. To avoid losing any relevant information, we started by coding the interviews into one broad category covering all language-related topics. Then we identified and further coded the transcripts into language-sensitive recruitment. This was a central issue in the interviews for most of the presidents interviewed. For example, a PCN president explained: “Nobody is employed without having a minimum score of 500 on the TOEIC exam.” All consultants mentioned language-sensitive recruitment during the interviews. The additional information gathered also provided plenty of evidence of the central role of language-sensitive recruitment.

We then proceeded to analyze the processes through which language-sensitive recruitment affects knowledge transfer. In order to make sense of the emerging themes and to refine our coding scheme, we moved back and forth between the data and theory. This led us to identify and elaborate on specific communication competence, network, identity, and power-related effects. As a result, we recoded the empirical material on this basis. In this coding, we distinguished between particular processes and effects to develop a comprehensive understanding of the productive and counterproductive effects of language-sensitive recruitment. For example, although language-sensitive recruitment enhanced knowledge transfer due to improved proficiency in the corporate language, it was accompanied by a counterproductive effect increased misalignment between language and functional competencies. We also used the additional information gathered and related research to provide a deeper and broader interpretation of the productive and counterproductive effects. Thus, we could place individual interview findings in their broader context. In addition, by comparing the findings across the subsidiaries, we could distinguish clear, general patterns and not merely case-specific anecdotes. Our findings on the multifaceted role of language in knowledge transfer will be elaborated in the next section.

Findings

As a result of our analysis, we identified a range of productive and counterproductive effects that language-sensitive recruitment had on MNC knowledge transfer. Table 1 provides a summary of the main findings as they relate competence, networks, identity, and power.

Insert Table 1 about here

Communication Competence. Language-sensitive recruitment was used in staffing subsidiaries with HCNs able to transfer knowledge in the corporate language. A PCN president reasoned as follows: “They [HCN employees] need to speak English. They need to be able to communicate with their counterparts in the region and in the factories. I am not doing this communication, they need to do it.” While accompanied by higher recruiting and compensation costs, language-sensitive recruitment provided a quick and efficient way to staff subsidiaries with HCNs able to transfer knowledge in the MNC global network. Not surprisingly, HCNs hired through language-sensitive recruitment quickly pointed out the importance of their foreign language skills in information and knowledge transfer. An HCN explained this as follows: “It is nice to have English skills for information sharing. In my case, my team is based in [X location] in California.” Several PCN presidents, in turn, explained the importance of local market knowledge and the role of these HCNs to transfer this knowledge to HQ and other MNC units. One of these PCNs reasoned as follows: “This is a good market because it has the highest quality demand. If you are able to supply here, you are able to supply to other markets as well [...] Japanese employees have helped to provide market knowledge to international operations.”

However, the focus on language also had counterproductive effects related to competence. The most frequently mentioned was the misalignment between language and functional competence among hired HCNs. This was attributed to the limited number of HCNs proficient in English in Japan and the strong emphasis on language skills in recruiting. A consultant reasoned as follows: “[foreign companies] are not able to get the best talent available because language is a big divider. For example, an American company needs a national sales director for Japan. Particularly in the sales function, there are many very

good sales directors around. A very small percentage of them can speak English well enough to communicate with headquarters. That means that they narrow their pool to the small number of English speaking ones. There are many, many better candidates, but they just do not have the language capacity.” Consultants further explained that PCN recruiters focusing on English proficiency did not have an accurate understanding of the knowledge, skills, and abilities of HCN candidates. Indeed, several PCN presidents admitted that they had focused too much on the English proficiency of HCN candidates in recruiting. The interviews suggest that this misalignment hindered knowledge transfer. A PCN president explained: “One big mistake was to hire people because they were able to speak English and to put them in key positions. Most of them were functionally incompetent and created a lot of problems [...] HQ people did not have a full understanding of challenges in the Japanese market.” In other interviews, words such as “disastrous,” “embarrassing” and “terrible” were used to describe HCN-HQ interaction. Taken together, the interviews suggest that the misalignment between language and functional competence limited the depth and spread of knowledge transmitted through language boundaries.

Networks. HCNs hired through language-sensitive recruitment were often able to form networks for MNC knowledge transfer. In fact, many of the new recruits had lived, studied and/or worked abroad for several years. They were willing to interact with foreigners and were comfortable in doing so. In addition to having the ability to interact, young HCNs in particular explained that they enjoyed sharing their ideas in English with foreigners in subsidiaries and other MNC units. The PCN presidents, in turn, were eager to hire HCNs with extensive overseas experience; they would form ‘trusted’ language nodes to transfer knowledge across language boundaries. A PCN president explained as follows: “I needed a lot of money to find a good guy who has been to the States [...] I needed someone to speak to me. I needed someone on my side.” Instead of having one or more ‘bilingual’ HCNs responsible for most, if not all, foreign interactions, language-sensitive recruitment meant that many more people could be involved in knowledge transfer. According to a PCN president, “Middle [HCN] managers operate their business 90% independently. This manager is in direct interaction with the segment president in Singapore [...] quality issues came up very quickly because it was concern to sales in our subsidiary.” This way, language-

sensitive recruitment was used to increase both the depth and spread of knowledge transfer networks. In addition to routine interactions and reporting, HCNs with strong foreign language competence were often responsible for hosting visitors from HQ and the other overseas units. Thanks to their foreign language competencies, HCN managers also had more opportunities to participate in MNC-organized international training, projects, and meetings than those with low foreign language proficiency. Through such interaction, they were able to form networks and transfer knowledge across language boundaries.

While increasing links between different linguistic networks in subsidiaries and the MNC global operations, the international orientation gained through language-sensitive recruitment could also weaken local embeddedness. By local embeddedness, we refer to the strength of the relationships between subsidiaries and various local actors, such as customers and companies. Because of their extensive experience abroad and/or in other foreign companies in Japan, HCNs hired through language-sensitive recruitment had more limited local networks than their counterparts in domestic companies. A consultant explained this as follows: “70 percent of our candidates come from foreign companies. It has to do with their language skills [...] but the market is Japan, and clients want someone to partner with who has built his networks in the Japanese market, and understands the competitive landscape. Those candidates with long foreign experience do not have that experience. So it is a kind of trade-off.” In line with the presidents interviewed, the consultants also frequently described problems in finding HCNs with strong English skills and local networks. Language-sensitive recruitment therefore increased the likelihood that subsidiaries were staffed by HCNs with limited ability to link and transfer high quality local knowledge to the MNC operations.

Identity. Language-sensitive recruitment staffed subsidiaries with HCNs competent in foreign languages that in general identified with the international orientation of the MNC. In particular, young HCNs frequently explained that ‘international’ work environment and opportunities to interact with foreigner employees in English were the most important reasons why they were initially interested in working for foreign rather than domestic companies. One of them explained this as follows: “I was not interested in working for Japanese firms at all [...] I liked living in New York. And, of course, I could

speak good English. I wanted to be in an environment where I could speak English. My English speaking ability was a strength in finding a job [...] what we call gaishi [foreign company] is a better environment for me.” Because of their foreign language competence and willingness to interact with foreigners, these HCNs were at least initially eager to contribute to subsidiary operations by suggesting modifications to fit business processes, products, and services to local needs and preferences. Our interviews provide examples of where HCNs had transferred knowledge leading to more radical innovations, influencing the focal subsidiary as well as the broader MNC operations. For example, an HCN sales person had introduced a service innovation that became the main source of revenue for Japanese operations. A PCN president described these HCNs as follows; “People who join us want to work for foreign companies. They all speak English. They are cosmopolitan and nice to work with because they have a more rounded view of the world than other Japanese.” These ‘cosmopolitan’ HCNs were able to better understand and value work practices used in foreign companies, PCN presidents’ strategies, and their subsidiary’s role in the MNC global network than their counterparts recruited from domestic companies.

Many of the recruits had, however, a weak attachment to the specific interests and culture of their foreign employers. While often identifying themselves as ‘Japanese foreigners,’ the interviews suggest that especially young HCNs were mainly interested in international operations, not the subsidiary per se, which limited their ability to act as agents of knowledge transfer. A consultant summarized this as: “They start to work for a foreign company and think that they can use their English, travel abroad, and that does not happen.” In addition, our cases involve examples where the HCNs became frustrated with the lack of opportunity to promote knowledge transfer by working internationally. An HCN put it as follows: “They don’t want us to go overseas. HQ wants us to stay in Japan. They consider us a local branch [...] my main purpose at [MNC X] was to develop my expertise [...] if I can’t improve my skills, I don’t want to work here anymore.” HCNs were also frustrated that language commonality did not remove all identity boundaries between them and HQ employees and PCN expatriates. Despite sharing the same language, PCN expatriates often differentiated themselves from HCN employees in terms of nationality, values, HQ linkages and identity, and task roles. In effect, HCN employees with strong language proficiency did not

identify with 'local' part of the organization. According to a PCN president, "Instead of samurai, these people are ronin [masterless samurai] who don't want to belong to any community." Such low identification with the organization decreased the motivation of HCNs to transfer knowledge. The new recruits were also less loyal or attached to the subsidiary and thus less able to transfer knowledge on a long-term basis. Instead of waiting patiently to be promoted, HCNs with strong foreign language skills proactively managed their careers by moving from one foreign company to another. Despite the frequent organizational changes, such HCNs could find new jobs easily due to the language requirements in subsidiaries. Taken together, the interviews suggest that low identification with the interests and culture of the subsidiaries reduced HCNs' attachment and willingness to contribute to knowledge transfer in the MNC.

Power. Language-sensitive recruitment further influenced knowledge transfer through altered power positions. In MNC subsidiaries with low average English proficiency, language nodes, often HCN managers, were able to either promote or impede knowledge transfer across language boundaries for example by controlling the quantity and quality of information transferred from local operations to HQ and other MNC units. A PCN president complained that "The information from the departmental manager is subjective. The information is filtered on the way. That is why I sometimes do not know where we are going." Through increased language-sensitive recruitment, PCN presidents sought to position themselves in the middle of intra-unit and inter-unit knowledge flows. In this view, newly recruited HCN would have the foreign language competence needed to transfer knowledge directly to PCNs and units within the MNC global network, reducing the control of language nodes over knowledge flows. A PCN president reasoned as follows: "There was a big distance because of the total lack of English knowledge in the company [...] I hired four [HCN] managers [proficient in English] to send a very clear message to the organization about the way we are going [...] Today some of the managers are able to understand English. When I came here only 20% of the managers spoke English." In addition to the increased ability to interact directly with more HCN employees, language-sensitive recruitment also diversified knowledge transfer. Especially in small and newly established subsidiaries, the new recruits could at times bypass

hierarchies that had previously limited knowledge transfer; in particular, they could have more direct interaction with colleagues in various parts of the MNC and thereby transfer, develop, and share new ideas and practices.

These benefits, however, were limited by both old and new status hierarchies that affected the direction, nature, and amount of knowledge transferred. In most subsidiaries, knowledge transferred from lower organizational echelons still passed through one or more HCN intermediaries before reaching other MNC units. Older HCN employees, in particular, expected that the new HCN recruits would first seek ‘approval’ for their ideas first with them. In fact, especially ideas that would change the status quo were often considered improper. According to a PCN president, “We have some examples where the younger generation has ideas, but if we are not very careful somebody in the older generation keep[s] a lid on those ideas.” Another president put it as follows: “Staff is not allowed to speak to anybody else [except the HCN manager]. They are not allowed to speak to me if their boss is not present [...] I can try to change him but I can never sack him. He is a very important person and he knows it.” HCNs in lower organizational echelons hesitated to interact directly with PCN expatriates and overseas operations because such interaction could put them in a difficult situation. In addition to dominating information flows, HCN language nodes sought to maintain the existing power relations and control knowledge transfer through language boundaries. Deviance from ‘correct’ behavioral patterns was seldom granted to the new HCN recruits, regardless of the length of their overseas experience. In some subsidiaries, such HCNs were even isolated by local managers and employees because of their locally incongruent behavior, such as skipping organizational hierarchies. Thus, language-sensitive recruitment resulted in multiple power dynamics, some of them impeding knowledge transfer..

Summary

Our qualitative analysis demonstrates how language-sensitive recruitment can be accompanied by a range of productive and counterproductive effects on knowledge transfer related to communication competence, networks, identity, and power. The findings suggest that these effects act as four different levels of

analysis; the effects of communication competence are on the surface level, while those of power are at the deepest level and may pass unnoticed despite their fundamental importance (see Figure 1).

Insert Figure 1 about here

In contrast to the dominant view that emphasizes the positive effects of language commonality, our analysis demonstrates that language commonality achieved through language-sensitive recruitment also has counterproductive effects on knowledge transfer. To recap the main points, language-sensitive recruitment hindered knowledge transfer in part because of a misalignment between the linguistic and functional competence of HCNs and their weak local embeddedness. In terms of identity, language-sensitive recruitment staffed subsidiaries with HCNs with sufficient corporate language proficiency but often with weak attachment to their organization and little motivation to transfer knowledge. In terms of power, language-sensitive recruitment reshuffled power relations which both promoted and hindered knowledge transfer. Taken together, the findings suggest that language-sensitive recruitment has productive effects on knowledge transfer that, however, can be partially offset by their counterproductive effects. This leads us to formulate the following hypothesis: language-sensitive recruitment has a curvilinear (inverted U-shaped) relationship with MNC knowledge transfer.

QUANTITATIVE STUDY

Data and Procedures

To test the hypothesis, we collected survey data through a large Japanese research company. We specified that the surveys be sent to middle managers in sales departments with more than five years of working experience in the present subsidiary in the greater Tokyo area. We targeted middle managers because they have greater exposure to HRM practices than high-level managers (Williams & Lee, 2011). High-level managers are more familiar with HRM policies that affect practices often implemented by middle managers (Wright & Boswell, 2002). We expected managers with more than five years of working

experience in the present subsidiary to be familiar with practices in their units. We limited our study to sales departments due to their dominance in our qualitative study and among foreign subsidiaries in Japan (JETRO, 2004), and their importance for the competitiveness of MNCs (Beltran-Martin, Roca-Puig, Escrig-Tena, & Llusar, 2008). Marketing and sales functions (on a par with production) are shown to have the highest level of competence among subsidiary functions (Foss & Pedersen, 2002) and arguably lend themselves to particularly well on knowledge transfer research in MNCs (Schlegelmilch & Chini, 2003). Finally, we limited our survey to the greater Tokyo area because most foreign subsidiaries in Japan are located there and these subsidiaries have the most interaction with HQs and the other units in the MNC global network (JETRO, 2004).

The research company informed us that they had 797 managers meeting our requirements in their data bank. Following the recommended *ex ante* methods to reduce common method bias (Chang, Van Witteloostuijn, & Eden, 2010; Podsakoff, MacKenzie, Lee, & Podsakoff, 2003), we collected data at two different points in time. The first survey that included our control and independent variables was sent to those 797 managers in May 2012. Of those managers, 494 (62%) replied. The second survey that included our dependent variable was sent to those 494 managers four weeks after the first survey. Of those managers, 363 (73%) replied. Thus, the overall response rate of these two surveys was 45%. The response rate is higher than the estimated 34% average in electronic surveys (Shin & Fan, 2008). In order to examine non-response bias, we examined whether respondents and non-respondents in these two surveys differed significantly in terms of subsidiary size and age. We found no significant differences. The respondents were mainly male (93%) and 46 years old on the average. They were from Tokyo (52%), Kanagawa (27%), Chiba (11%), and Saitama (10%) prefectures. The respondents represent 285 different MNC subsidiaries. The most common parent company nationality was the United States (51%), followed by Germany (11%), France (9%), and Switzerland (7%). The average number of employees in these subsidiaries was 2337.

Survey Design and Measures

We developed the survey instrument based on our interviews and the related literature. From the flow of the survey and our data collection at two different points of time, it is unlikely that the respondents could map hypothesized relations between constructs. This way, we sought to avoid social desirability bias, which may cause common method bias (Podsakoff et al., 2003). To further reduce the likelihood of social desirability bias, we asked questions regarding sales departments rather than individual respondents. In line with Brislin (1980), two bilingual Japanese translated and back-translated the survey to guarantee the accuracy of translation from English to Japanese (see Table 1 for all multi-item measurement scales). To ensure face validity, the Japanese language survey was further checked by eight bilingual HCNs working for MNC subsidiaries in Japan.

Language-sensitive recruitment. Language-sensitive recruitment was operationalized by a modified scale from Collins and Smith (2006). Instead of general statements on recruitment practices (Collins & Smith, 2006), we focused on language-sensitive recruitment practices. We asked managers to respond to three questions on a 7-point scale (1 = strongly disagree, 7 = strongly agree). To test the internal consistency of this scale, we calculated Cronbach's alpha. The received value of 0.84 was above the threshold level of 0.70 recommended by Nunnally (1978), indicating good internal consistency.

Knowledge transfer. Knowledge transfer was measured with a modified scale from Youndt, Subramaniam, and Snell (2004). Drawing on the knowledge management literature, Youndt et al. (2004: 346) developed and used this scale to assess "an organization's overall ability to share and leverage knowledge among and between networks of employees, customers, suppliers, alliance partners, etc." From their five-item scale, we selected three relevant items and modified them for the present context. Instead of using a 5-point Likert scale, we asked managers to assess scale items on a 7-point scale (1 = strongly disagree, 7 = strongly agree). To achieve a normal distribution, we used the natural logarithm in our analyses. Cronbach's alpha for the scale was 0.92, indicating excellent internal consistency (Nunnally, 1978).

Control variables. In line with related research, we used six control variables in this study. First, subsidiaries can use language training to develop the proficiency of HCNs in the MNC corporate

language (Marschan-Piekkari et al., 1999a). Language training was measured by a modified scale from Collins and Smith (2006). Instead of general statements on training (Collins & Smith, 2006), we focused on language training. We asked managers to respond to three questions on a 7-point scale (1 = strongly disagree, 7 = strongly agree). Cronbach's alpha for the scale was 0.88, indicating good internal consistency (Nunnally, 1978).

Second, subsidiary size can affect language-sensitive recruitment; HCNs in larger subsidiaries are required to be proficient in the MNC corporate language (Peltokorpi & Vaara, 2012). Larger subsidiaries may also have a greater pool of resources dedicated to knowledge creation and transfer more knowledge (Gupta & Govindarajan, 2000). We measured subsidiary size by asking managers to provide the number of employees in their subsidiaries. By using the year book of foreign company operations in Japan (Toyo Keizai Research, 2012), we validated 72% of the answers. To achieve a normal distribution, we used the natural logarithm in our analyses.

Third, subsidiary age can affect language-sensitive recruitment; older subsidiaries localize their activities and use fewer language-sensitive recruiting practices for entry-level employees (Peltokorpi & Vaara, 2012). Older subsidiaries also have more time to develop the mechanisms and relationships to transfer knowledge with HQ and other units (Monteiro, Arvidsson, & Birkinshaw, 2008). We assessed subsidiary age by asking managers to provide the year of subsidiary establishment in Japan. By using the book of foreign company operations in Japan (Toyo Keizai Research, 2012), we validated 72% of their answers. In line with Monteiro et al. (2008), we measured subsidiary age by subtracting the year of establishment from the year of data collection.

Fourth, subsidiaries linked to HQ and other units through social integration mechanisms transfer more knowledge (Björkman, Barner-Rasmussen, & Li, 2004; Nobel & Birkinshaw, 1998). Using a modified scale from Nobel and Birkinshaw (1998), we asked managers to answer questions on four social integration mechanisms: (1) overseas meetings, (2) visits to HQ, (3) visits to other overseas units, (4) and participation in international committees/taskforces/teams on a 7-point scale (1 = daily, 2 = weekly, 3 = monthly, 4 = quarterly, 5 = annually, 6 = less than annually, 7 = never). We reversed the scale so that

higher scores show higher inter-unit integration. To achieve a normal distribution, we used the natural logarithm in our analyses. Cronbach's alpha for the scale was 0.86, indicating good internal consistency (Nunnally, 1978).

Fifth, formal language policies may affect language-sensitive recruitment and knowledge transfer. That is, subsidiaries with formal language policies pay more attention to the proficiency of incoming HCNs in the corporate language (Luo & Shenkar, 2006; Welch & Welch, 2008). This, in turn, affects how much HCN employees are able to transfer knowledge (Welch & Welch, 2008). We asked managers to indicate whether their subsidiaries have formal language policies, coding no formal language policy as 0 and formal language policy as 1.

Sixth, the nationality of the top subsidiary manager can affect language-sensitive recruitment. That is, PCN top managers can place more emphasis on language-sensitive recruitment in subsidiaries (Luo & Shenkar, 2006). We asked managers to indicate whether a top manager in their subsidiary is a PCN or HCN, coding HCN as 0, PCN as 1. By using the book of foreign company operations (Toyo Keizai Research, 2012) and subsidiary home pages, we validated 80% of their answers.

Factor and Common Method Bias Analyses

Since modified scales were used in this study, we conducted both exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) on all multi-item variables. First, we conducted an EFA with Varimax rotation. The results showed four factors with eigenvalues greater than one (see Table 2). All items loaded as expected. We then used the Harman's single factor test to check for common method bias. If common-method variance exists in the data, one general factor accounts for most of the variance. This did not occur since the first factor with an eigenvalue of 4.207 accounted for only 32% of the variance.

Insert Table 2 about here

Second, we conducted a CFA to verify the factor structure that emerged from the EFA. The four-factor structure provided an appropriate fit with the data [$\chi^2 = 70.9_{(57)}$, $p < 0.001$, root-mean-square error of approximation (RMSEA) = 0.026, confirmatory fit index (CFI) = 0.995, goodness-of-fit index (GFI) = 0.971] (Hair, Anderson, Tatham, & Black, 1998). We then compared the four-factor model with a one-factor model. The single-factor model provided a much worse fit with the data ($\chi^2 = 1122.4_{(63)}$, $p < 0.001$, RMSEA = 0.216, CFI = 0.636, GFI = 0.668) than the four-factor model. We also checked for common-method variance by introducing a common latent factor (CLF) in the four-factor model (Podsakoff et al., 2003). We measured common-method variance by subtracting standardized weights without CLF from standardized regression weights with CLF. The results did not exceed 0.2, which is an indication of common method bias. On the basis of the Harman's single factor and CLF tests, we conclude that common-method variance does not play an important role in our findings.

Aggregation

In this study, 22 departments had two or more respondents. Because we had multiple respondents, we calculated interrater agreement scores [$r_{wg(j)}$] for all multi-item measures (James, Demaree, & Wolf, 1984) to see how responses varied within each department. The average $r_{wg(j)}$ values for social integration (0.79), language-sensitive recruitment (0.89), language training (0.79), and knowledge transfer (0.76) were all above the recommended cutoff value of 0.70 (Bliese, 2000). These values justify the aggregation of individual responses to the departmental level.

Results

Means ($\bar{x}$), standard deviations (SD), and correlations for each of the study variables are presented in Table 3.

 Insert Table 3 about here

The positive correlations between social integration and language-sensitive recruitment ($r = 0.187$, $p < 0.01$) and knowledge transfer ($r = 0.178$, $p < 0.01$), in line with our interview findings, suggest that HCNs hired through language-sensitive recruitment have more direct inter-unit interactions and more chances to transfer knowledge in the MNC global network. The positive correlation between language training and language-sensitive recruitment ($r = 0.128$, $p < 0.01$) indicates that these HRM practices are moderately related, suggesting that subsidiaries using language-related recruitment have less need for language training. The negative correlation between subsidiary size and language-sensitive recruitment ($r = -0.157$, $p < 0.01$) suggests that larger subsidiaries rely less on language-sensitive recruitment perhaps due to a more clearly defined division of labor. The highest correlation between language-sensitive recruitment and knowledge transfer ($r = 0.505$, $p < 0.01$) suggests that multicollinearity is not likely to affect the results of our statistical analyses (Nunnally, 1978). Nevertheless, we checked multicollinearity in two additional ways. First, we calculated the variance inflation factor (VIF) for the variables. The highest VIF value of 1.422 for the variables is well below the recommended ceiling of 10 for these metrics (Hair et al., 1998). Second, a Durbin-Watson test with a value of 2.082 shows satisfactory results regarding the independence of error terms (Cohen, West, Aiken, & Cohen, 2003).

We used hierarchical regression analysis to test a curvilinear relation between language-sensitive recruitment and knowledge transfer (see Table 4). We included our control variables in model 1. Except for the language policy and head of Japanese operations, the other control variables were significantly related to knowledge transfer. In model 2, we added our independent variable: language-sensitive recruitment, which had a positive effect on knowledge transfer ($\beta = 0.443$, $p < 0.001$). The overall model 2 was significant and showed significant change in the adjusted R^2 and F-statistics in comparison with model 1. The hypothesis formulated states that language-sensitive recruitment has a curvilinear (inverted U-shaped) relationship with knowledge transfer. We tested this hypothesis by adding a quadratic term of language-sensitive recruitment in model 3. As the squared term was statistically significant and negative ($\beta = -0.144$, $p < 0.01$), the hypothesis was supported. The overall model 3 was significant and showed significant change in the adjusted R^2 and F-statistics in comparison with model 2.

Insert Table 4 about here

We conducted additional analyses on the control, independent, and dependent variables. First, our analyses showed a negative moderating effect between subsidiary size and language-sensitive recruitment ($\beta = -0.122$, $p < 0.05$), suggesting that smaller subsidiaries rely more on language-sensitive recruitment. Following the procedures of Baron and Kenny (1986), we further tested the mediating role of social integration between language-sensitive recruitment and knowledge transfer. Because language-sensitive recruitment had a positive effect on social integration ($\beta = 0.179$, $p < 0.05$) and knowledge transfer ($\beta = 0.433$, $p < 0.001$), and social integration had a positive effect on knowledge transfer ($\beta = 0.117$, $p < 0.05$), social integration had a partially mediating effect between language-sensitive recruitment and knowledge transfer. Social integration did not have a mediating effect between language training and knowledge transfer. The results suggest that HCNs hired through language-sensitive recruitment have more direct interaction with other MNC units and more opportunities for knowledge transfer than HCNs with language training.

DISCUSSION

The objective of this study was to explore how language in general and language-sensitive recruitment in particular affects MNC knowledge transfer. We started by conducting a qualitative study to inductively develop a multifaceted model that elucidates the productive and counterproductive effects of language and language-sensitive recruitment related to communication competence, networks, identity, and power. We continued by conducting a quantitative study to examine the productive and counterproductive effects of language-sensitive recruitment on knowledge transfer. Interestingly, the findings of the quantitative study suggest an inverse U-shaped relationship between language-sensitive recruitment and knowledge transfer. Together, these two studies have important implications for research on language, knowledge transfer, and HRM practices in MNCs.

First, our empirically-grounded framework elucidates the multifaceted effects of language on knowledge transfer – thereby adding to research on language in MNCs (Marschan-Piekkari et al., 1999a; Marschan-Piekkari et al., 1999b; Park et al., 1996; Peltokorpi, 2007; Piekkari et al., 2013; SanAntonio, 1987). To capture the multidimensionality of language, we drew from research in related areas (Brannen, 2004; Frenkel, 2008; Vaara et al., 2005) to unbundle its competence, network, identity, and power aspects. This unbundling allowed us to elaborate especially on the counterproductive effects of language in MNC subsidiaries. While corporate language proficiency provides the fundamental ability to transfer knowledge (Welch & Welch, 2008), our findings further suggest that it does not ensure that employees are able or motivated to transfer knowledge. This finding contributes to research on language in MNCs that has given little attention to language-related structural or motivational effects. In addition, our findings place more emphasis on context than on the “mechanistic perspectives” of language that stress the economic and strategic benefits accompanied with a common language or language standardization in MNCs (Luo & Shenkar, 2006). In all, our findings suggest that corporate language proficiency alone is not a panacea and that language and language-sensitive recruitment has various potential counterproductive effects that need to be taken seriously.

Second, our findings contribute to research on MNC knowledge transfer in several ways. In particular, our analysis suggests in line with related management research (Brannen, 2004; Frenkel, 2008; Vaara et al., 2005) that language in knowledge transfer involves much more than the decoding of a linguistic signal. In particular, our findings empirically demonstrate that language commonality does not ensure that HCN employees share the same semantic context and the same interpretation with PCN employees (Brannen, 2004). Consequently, language commonality alone does not guarantee effective and efficient knowledge transfer in MNCs. In addition to the productive and counterproductive effects of communication competence, our findings elucidate network, identity, and power-related aspects of language in knowledge transfer – that have received limited attention in prior research. In terms of networks, our findings suggest that HCNs proficient in the corporate language are able to access, contribute, and link subsidiary and MNC-level knowledge networks. Previous research has reported

positive effects of language homogeneous networks in MNC knowledge transfer (Marchan-Piekkari et al., 1999b; Mäkelä et al., 2007), and our findings add to this research by suggesting that language-sensitive recruitment can also be accompanied by decreased local embeddedness. This is problematic because local embeddedness is one of the most important factors influencing the ability of a subsidiary to access and develop new knowledge (Michailova & Mustaffa, 2012).

In addition, our analysis elaborates on the linkage of language and identity in knowledge transfer. Previous research in this area suggests that language commonality facilitates identification with the MNC, which in turn enhances knowledge transfer (Ambos & Ambos, 2009; Barner-Rasmussen & Björkman, 2007; Phene et al., 2005). Our findings add to this stream of research by showing that HCNs who enter subsidiaries through language-sensitive recruitment in part due to their language proficiency and overseas experience initially seek to identify and share knowledge with foreign employees in subsidiaries and MNC global operations. However, our findings suggest that language commonality does not automatically lead to inclusion and identification with the organization. Despite sharing the same language, PCN expatriates often distanced themselves from HCN employees in terms of their nationality, values, HQ linkages and identity, and task roles. Furthermore, HCNs with extensive overseas experience tended to have low attachment to the organization, leading to less engagement with knowledge transfer. In this sense, our findings deviate from the previous assumptions that language commonality leads to shared identity and increased MNC knowledge transfer (Ambos & Ambos, 2009; Barner-Rasmussen & Björkman, 2007; Phene et al., 2005).

Further, our findings elucidate how language is linked with power and the related implications on knowledge transfer, thus adding to nascent research on this topic. Although PCN expatriates have important roles in transferring knowledge in the MNC global network (Edström & Galbraith, 1977), it is also argued that language differences make them less effective at acquiring and transferring knowledge from local communities (Fang et al., 2010). Our findings concur with this argument by suggesting that HCNs play an important role in transferring local knowledge to MNC global operations. In line with previous more general accounts of language in MNCs (Marchan-Piekkari et al., 1999b; Peltokorpi, 2007;

SanAntonio, 2007), our findings also suggest that HCN language nodes, especially middle managers, are able to gain power by controlling knowledge flows across language boundaries. Although helping to empower knowledge transfer to appropriate HCN employees, language-sensitive recruitment does not, however, remove all barriers to knowledge transfer. Indeed, despite the improved average corporate language proficiency in subsidiaries, knowledge from lower organizational echelons could continue to pass through one or more intermediaries before reaching PCNs or MNC overseas operations. In fact, our cases provide evidence of HCN managers reinforcing such hierarchies to protect their own power positions, thereby impeding knowledge transfer. Thus, while language is an important source of power, our findings demonstrate how existing power structures, especially in countries with strong status hierarchies, complicate knowledge transfer processes. In this sense, too, our analysis complements previous research in this area (Vaara et al., 2005).

Third, this study adds to research on HRM practices in MNC knowledge transfer by elucidating the potential unintended consequences of language-sensitive recruitment. Previous research has suggested that investment in various HRM practices, such as merit-based promotions, performance appraisals, and training, facilitates the ability of employees to transfer knowledge (Björkman et al., 2004; Minbaeva, Pedersen, Björkman, Fey, & Park, 2003). In these studies, it is generally assumed that HRM practices contribute to MNC knowledge transfer through development of employees' functional competence. Our findings show that language-sensitive recruitment as a specific HRM practice can be accompanied by both productive and counterproductive effects. Our framework helps to understand how these counterproductive effects are related to the misalignment of communicative versus functional competences, asymmetric networks, identity challenges and hierarchies. For example, a shortage of HCNs with sufficient foreign language proficiency in the host country labor market (Park et al., 1996; Peltokorpi, 2010) is one contextual feature that aggravates these problems. Moreover, instead of assuming that additional investment in HRM practices always has positive linear effects on knowledge transfer, our findings provide evidence of the overlooked counterproductive effects on HRM practices.

LIMITATIONS AND FUTURE RESEARCH

This study has its limitations that should be taken account in future research. First, our empirical material is Japan-specific, and some of the findings can reflect the special nature of the Japanese context. Indeed, the Japanese have low average English proficiency (Yoshihara et al., 2001), and identify with and use the Japanese language to distinguish themselves from ‘foreigners’ or ‘outsiders’ (Rivers, 2011). Despite these country-specific factors, we believe that similar productive and counterproductive effects can be found in other national as well as international contexts – and hope that our framework is used in future studies to enrich our understanding of such effects. In future research, it would be particularly interesting to focus attention on countries in which language is an important part of national identity. For example, Deneire (2008: 189) mentions that in France labor unions promote “the right to work in French in France” and point to “the discriminating effects of the supremacy of English in the workplace.” Further, a comparative study would help to shed light on how language and language-sensitive recruitment influence knowledge transfer. Second, our cross-sectional data does not capture time-related differences in language-sensitive recruitment and its effect on knowledge transfer. Thus, it would be interesting to examine the dynamics of this phenomenon in a longitudinal study. Third, although our analysis has taken an important step beyond the dominant functional views on language and knowledge transfer, future research could go much further in using power (Vaara et al., 2005) or postcolonial (Frenkel, 2008) perspective to study these crucial phenomena. We wish that our analysis encourages scholars to go further in developing and applying more critical perspectives on knowledge transfer in and around MNCs.

PRACTICAL IMPLICATIONS

Our results have several practical implications. Most importantly, the findings suggest that MNCs should invest in language-sensitive recruitment to enhance knowledge transfer. However, our analysis also warns against seeing such investments as quick fixes and demonstrates the potential counterproductive effects. We thus advise recruiters to pay attention to a potential misalignment between language and functional

competences, especially in countries with a limited supply of HCNs proficient in the corporate language. Subsidiaries can deal with the challenges of language-sensitive recruitment by using various methods, such as established interview techniques and selection committees composed of PCN and HCN employees (Björkman & Lu, 1999). Recruiters could also selectively target employees with the cultural, functional, and linguistic competence needed for most foreign language interaction in MNC subsidiaries. For example, language requirements could be extended only to employees in certain functional areas and managerial positions requiring such competencies. In order to improve MNC knowledge transfer, HCN employees should also be provided with opportunities to visit overseas MNC units and to participate in international training programs, teams, committees, and task forces organized by the MNC. We expect such face-to-face interaction will be especially important in collective cultures where people tend to experience difficulties communicating with out-group members (Park et al., 1996). In addition, because employees with low corporate language proficiency are likely to refrain from sharing and transferring knowledge, we recommend strong top leadership with regard to language proficiency (Govindarajan & Gupta, 2001). For example, the former CEO of Asea Brown Boveri (ABB), Göran Lindahl, stressed that official corporate language at ABB was “poor English” to make the point that “no one should be embarrassed to forward an idea because of a lack of perfection in English” (Govindarajan & Gupta, 2001: 68). Finally, we want to emphasize that in addition to language-sensitive recruitment, a great deal will always depend on attitudes. At the end of the day, knowledge transfer requires the willingness to engage in interaction even in the case of imperfect language proficiency – and also respect for others and their deficiencies.

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Appendix A: Guiding questions in interview protocols for PCNs

1. May I have your name and position in this subsidiary? How many people are working in this subsidiary? How many expatriates are working in this subsidiary? How many years has this subsidiary been operating in Japan?
1. Does your company have any language policies and requirements? What kinds of language policies and requirements does your company have? If your company does not have any language policies or requirements, how does your company seek to cope with language barriers? How are these language policies and requirements implemented and reinforced in your company? Are these language policies and requirements extended to all employees? What kinds of challenges, if any, are related to language requirements in your company?
2. What kind of external factors, if any, influence language policies and requirements in your company?
3. What kind of internal factors, if any, influence language policies and requirements in your company?

Appendix B: Guiding questions in interview protocols for HCNs

1. May I have your name and position in this subsidiary? How many people are working in this subsidiary? How many expatriates are working in this subsidiary? How many years has this subsidiary been operating in Japan?
2. Does your company have any language policies and requirements? What kinds of language policies and requirements does your company have? If your company does not have any language policies or requirements, how does your company seek to cope with language barriers? How are these language policies and requirements implemented and reinforced in your company? Are these language policies and requirements extended to all employees? What kinds of challenges, if any, are related to language requirements in your company?
3. What kind of external factors, if any, influence language policies and requirements in your company?
4. What kind of internal factors, if any, influence language policies and requirements in your company?

Appendix C: Guiding questions in interview protocols for consultants

2. May I have your name, industry sector covered, and position in this company?
3. What language requirements do foreign companies have for job candidates? What kind of differences, if any, have you experienced in language requirements within and among foreign companies?
4. What kinds of challenges, if any, are related to language requirements in foreign companies in Japan?

Table 1: Productive and counterproductive effects of language-sensitive recruitment

Level of analysis	Productive effects	Illustrative quotes	Counterproductive effects	Illustrative quotes
Communication competence	Language skills provide means for better communication, thus enhancing knowledge transfer.	<p>“Part of the recruiting process is an interview in English. I have so many [HCN] colleagues who speak English fluently and have been educated overseas [...] it is easy to transfer knowledge” (HCN manager).</p> <p>“Normally we talk in English even if one or two foreigners join the group. We just change the language to English [...] All people speak and everything here is written in English” (HCN employee).</p>	Focus on language skills may come at the cost of functional skills.	<p>“It is easy to find people who can speak English. The problem is to find people who have some skills [...] they need to have professional skills and on top of that able to speak English [...] they cannot even write emails properly” (PCN president) .</p> <p>“English language covers the lack of skills, but it is very dangerous situation if they don’t have the other skills. They just hang around, walk around, and talk around, but do not solve any problems” (HCN president).</p>
Networks	Language skills are usually associated with the ability to develop international networks that enhance knowledge transfer.	<p>“Many people have been to Europe. We have things that we call centers of excellence for product training and for quality system training. It is useful for human relations and social networks” (PCN president).</p> <p>“We are delivering the promises that we told them when they [HCNs] were hired. They are learning in a challenging international environment. In some projects, we have 10 different nationalities. They are also connected with the global group in 20 or so countries. There are communication and conferences with the global group. That gives them an international flavor” (PCN manager).</p>	An international orientation associated with language skills may imply poorer local contacts and networks.	<p>“Here is the problem. Japanese [hired] from foreign companies are less Japanese than the Japanese from Japanese companies. The Japanese from Japanese companies are more powerful because they have worked with other Japanese companies and invested in networks [...] their networks and knowledge are very useful” (HCN president).</p> <p>“They pay premium for a [HCN] guy who has been working in the USA for ten years. They premium for him and he doesn’t know how to handle Japanese customers and doesn’t like the way how to handle Japanese customers. This is a lose-lose situation” (Consultant).</p>

Identity	Language skills allow for identification with the MNC and its broader international ideas and interests, thus enhancing knowledge transfer.	<p>“English and understanding headquarters culture gives an advantage to explain things to the headquarters” (PCN president).</p> <p>“Sometimes, we have candidates who come to us because they want to work independently and accept responsibilities and communicate internationally. They are our ideal candidates. These candidates have often lived or studied abroad” (PCN president).</p>	An international orientation associated with language skills may imply lesser identification with the subsidiary and its interests.	<p>“It is very difficult to hire bilingual people with technical skills. They are very expensive or mercenaries moving from one company to another every two years” (PCN president).</p> <p>“I was in contact with Hong Kong, Singapore, and London every day. But I quit because the job was boring, just about money. I am not patient and have not stayed in any company more than four years. I am getting bored so soon” (HCN employee).</p> <p>“The companies I deal with see this as a satellite office far away, almost in space. Some of them think that it is so far away that they do not pay much attention to it as they should. That is why they lose people” (Consultant).</p>
Power	Language skills make it easier to bypass or reduce hierarchies to improve knowledge transfer.	<p>“There was a double agenda. The [HCN] managers were operating based on their own agenda and MNC X on the other agenda. We had to get their commitment to our mutual or common objectives. So that is why I turned the company a little bit upside down and changed the management completely [...] information flows here have improved substantially” (PCN president).</p> <p>“The younger ones are more open for new ideas whereas the older ones are like ‘you are not supposed to do that thing’” (PCN president).</p>	New channels of communication may lead to resistance to share important knowledge and other political implications.	<p>“The problem is that divisional managers do not like that their subordinates are in direct contact with the subsidiary manager and overseas operations” (PCN president).</p> <p>“They [HCN managers] are afraid that they lose power if they share information. Because this information they have is so bloody important [...] they build their power by keeping everybody else in the dark” (PCN president).</p>

Table 2: EFA with Varimax rotation

	1	2	3	4
Language training				
1. In my department, language training is given to employees if needed.	0.063	0.065	0.927	0.154
2. In my department, language training is provided to increase employees' proficiency in the company language.	0.077	0.087	0.908	0.104
3. In my department, language training is not available to employees (reverse coded).	-0.032	0.010	0.849	-0.110
Language-sensitive recruitment				
1. In my department, job candidates proficient in the company language are given consideration over candidates not proficient in the company language.	0.012	0.133	0.059	0.880
2. In my department, we emphasize proficiency in the company language when hiring employees.	0.109	0.180	0.066	0.907
3. In my department, we ensure that all people hired are proficient in the company language.	0.116	0.231	0.007	0.754
Knowledge transfer				
1. In my department, Japanese employees exchange ideas with headquarters and other overseas units.	0.121	0.903	0.058	0.206
2. In my department, Japanese employees share insights with headquarters and other overseas operations.	0.125	0.895	0.086	0.178
3. In my department, Japanese employees are willing to exchange ideas with headquarters and other overseas operations.	0.091	0.908	0.028	0.187
Social integration				
1. During last 12 months, how many employees (including you) in your department went overseas meetings organized by your company?	0.867	0.097	0.053	0.088
2. During last 12 months, how many employees (including you) in your department visited headquarters?	0.816	0.022	0.014	0.008
3. During last 12 months, how many employees (including you) in your department visited other overseas units in your company?	0.895	0.066	0.021	0.093
4. During last 12 months, how many employees (including you) in your department were a part of international teams/committees/taskforces in your company?	0.765	0.167	0.025	0.074
Eigenvalues	4.207	2.370	2.227	1.445
Cumulative Percent of Variance Explained	32.360	50.589	67.723	78.840

N = 363

Table 3: Means ($\bar{x}$), Standard Deviations (SD) and Correlations

	$\bar{x}$	SD	1	2	3	4	5	6	7
1. Language training	4.619	1.518							
2. Subsidiary size (log)	2.659	0.850	0.209 **						
3. Subsidiary age (years)	30.025	21.397	0.046	0.392 **					
4. Social integration (log)	0.591	0.453	0.081	0.205 **	0.031				
5. Language policy (dummy)	0.432	0.496	0.130 *	-0.068	-0.040	0.126 *			
6. Head of Japanese operations (dummy)	0.421	0.495	0.031	0.112	-0.058	-0.059	0.147 *		
7. Language-sensitive recruitment	4.299	1.298	0.128 *	-0.157 **	-0.029	0.187 **	0.235 **	0.054	
9. Knowledge transfer (log)	0.618	0.172	0.191 **	-0.185 **	0.044	0.178 **	0.150 *	-0.087	0.505 **

N = 285, *p < 0.05, ** p < 0.01

Table 4: Results of regression analysis

		Model 1:				Model 2:				Model 3:			
		Control variables				Language-sensitive recruitment				Curvilinear relation			
	Variables	β	<i>SE</i>	<i>t-values</i>	<i>Sig.</i>	β	<i>SE</i>	<i>t-values</i>	<i>Sig.</i>	β	<i>SE</i>	<i>t-values</i>	<i>Sig.</i>
1.	Language training	0.226	0.006	3.975	***	0.166	0.006	3.227	**	0.143	0.006	2.757	**
2.	Subsidiary size (log)	-0.324	0.013	-5.092	***	-0.215	0.012	-3.660	***	-0.206	0.012	-3.547	***
3.	Subsidiary age (years)	-0.155	0.189	-2.575	*	-0.126	0.974	-2.318	*	-0.108	0.964	-2.009	*
4.	Social integration (log)	0.207	0.022	3.627	***	0.117	0.020	2.226	*	0.106	0.020	2.027	*
5.	Language policy (dummy)	0.086	0.020	1.514		0.014	0.018	0.272		0.027	0.018	0.520	
6.	Head of Japanese operations (dummy)	-0.050	0.020	-0.880		-0.080	0.018	-1.568		-0.079	0.017	-1.568	
7.	Language-sensitive recruitment					0.433	0.007	8.158	***	0.398	0.007	7.361	***
9.	Language-sensitive recruitment (squared)									-0.144	0.004	-2.765	**
	Adjusted R^2			0.146				0.309				0.325	
	F			9.089	***			19.135	***			18.101	***
	Δ Adjusted R^2			0.164				0.162				0.018	
	ΔF			9.089	***			66.552	***			7.645	**
	VIF range			1.057-1.345				1.070-1.418				1.070-1.422	

N = 285, *SE* = Standard Error, data represent standardized beta coefficients, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 1: A dynamic model of language-sensitive recruitment and MNC knowledge transfer