KNOWLEDGE SHARING IN MULTINATIONAL CORPORATIONS

A SOCIAL CAPITAL PERSPECTIVE

Helsingfors 2003
Knowledge Sharing in Multinational Corporations. A Social Capital Perspective

Key words: Multinational corporations, social capital, knowledge sharing, knowledge transfer, organizational identity, language, feedback seeking behavior

© Swedish School of Economics and Business Administration & Wilhelm Barner-Rasmussen

Wilhelm Barner-Rasmussen
Swedish School of Economics and Business Administration
Department of Management and Organization
P.O.Box 479
00101 Helsinki, Finland

Distributor:

Library
Swedish School of Economics and Business Administration
P.O.Box 479
00101 Helsinki, Finland

Telephone: +358-9-431 33 376, +358-9-431 33 265
Fax: +358-9-431 33 425
E-mail: publ@hanken.fi

ISBN 951-555-771-2 (printed)
ISBN 951-555-772-0 (PDF)
ISSN 0424-7256

Yliopistopaino, Helsingfors 2003
ACKNOWLEDGEMENTS

I have not written this thesis alone. Some words of gratitude – few, but all the more heartfelt – are thus in order.

Firstly, this work would not exist without all the people ’out there’ who have taken the time to share their expertise with me. My deepest gratitude goes out to all the respondents at my case company, and all the top managers of Finnish and Chinese subsidiaries, who have consented to give me interviews. I hope I have re-presented their accounts, actions, and experiences in a manner that they will recognize.

I am also most grateful for the financial support provided by the Academy of Finland, Bergsrådet tekn. och ekon. Dr h.c. Marcus Wallenbergs stiftelse för företagsekonomisk forskning, the Department of Management and Organization at the Swedish School of Economics and Business Administration, Ella och Georg Ehrnrooths stiftelse, Fiskars Abp, the Foundation for Economic Education, Oskar Öflund’s Stiftelse, Stiftelsen Svenska Handelshögskolan, Svenska kulturfonden, and Waldemar von Frenckells stiftelse. The generous support of these organizations has contributed importantly to the quality of this work.

I wish to extend the very warmest of thanks to my supervisor, Professor Ingmar Björkman, for his continuous support, encouragement, and sound advice. Throughout my doctoral studies, I have never trusted Inkku less than a hundred percent, and have never had reason to be disappointed.

Thanks also to my pre-examiners, Professor Udo Zander of the Stockholm School of Economics and Professor Mats Forsgren of Uppsala University. In addition to their thoughtful comments on the final thesis draft, their work has inspired me along the way. Mats is also one of the three people who influenced critical choices I made at the outset of my thesis work: they may not remember it, but James G. March advised me not to focus on hypergrowth in new media companies, Rebecca Marschan-Piekkari drew my attention to language in MNCs, and Mats Forsgren suggested I acquaint myself with social capital. I have been happy with all of these choices.

My colleagues deserve a big thank you, particularly Mia Örndahl and Marjana Johansson, who are also my co-authors. Thanks for all the good work and all the good times! Warm thanks also to Klaus Harju and Denise Salin for rewarding discussions, and to all the other people – too numerous to mention here but nonetheless important – who have made the Department of Management and Organization at the Swedish School of Economics and the Scandinavian Consortium for Organizational Research at Stanford University such enjoyable places to be. These have been good times.

Thanks also to Barbara Cavonius for editing the manuscript, and for guiding it (and me) through the publishing process. Any remaining errors are, of course, mine.

Finally, thanks to my beloved ones and my closest friends for their encouragement.

Helsinki, March 20th 2003
Wilhelm Barner-Rasmussen
# TABLE OF CONTENTS

## 1 Introduction

1.1 Interunit knowledge sharing in MNCs  
1.2 Aim  
1.3 Contribution  
1.4 Limitations  
1.5 Structure of thesis  

## 2 Previous research

2.1 Knowledge sharing in the differentiated network MNC  
2.2 Social capital  
2.3 Language  
2.4 Identity  
2.5 Feedback seeking behavior  
2.6 Summary  

## 3 Methodology

3.1 Development of pre-understanding  
3.2 Empirical base of the present work  
   3.2.1 Quantitative data and analysis  
   3.2.2 Qualitative data and analysis  
   Case description  

## 4 Summary of the empirical studies

Summary of Essay 1  
Summary of Essay 2  
Summary of Essay 3  
Summary of Essay 4  
Summary of Essay 5  

## 5 Discussion and implications

5.1 Main findings  
5.2 Discussion  
5.3 Implications  
5.4 Suggestions for further research  

## References

## Appendices

Essay 1  
Essay 2  
Essay 3  
Essay 4  
Essay 5
FIGURES

<table>
<thead>
<tr>
<th>Figure Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 2.1: Theoretical framework of the thesis</td>
<td>19</td>
</tr>
<tr>
<td>Figure 4.1: Elements of theoretical framework in Essay 1</td>
<td>30</td>
</tr>
<tr>
<td>Figure 4.2: Elements of theoretical framework in Essay 2</td>
<td>32</td>
</tr>
<tr>
<td>Figure 4.3: Elements of theoretical framework in Essay 3</td>
<td>35</td>
</tr>
<tr>
<td>Figure 4.4: Elements of theoretical framework in Essay 4</td>
<td>38</td>
</tr>
<tr>
<td>Figure 4.5: Elements of theoretical framework in Essay 5</td>
<td>41</td>
</tr>
<tr>
<td>Figure 5.1.1: Graphical synthesis of findings of Essays 1 and 2</td>
<td>44</td>
</tr>
<tr>
<td>Figure 5.1.2: Graphical synthesis of findings of Essays 3 and 4</td>
<td>46</td>
</tr>
<tr>
<td>Figure 5.1.3: Graphical synthesis of findings of Essay 5</td>
<td>47</td>
</tr>
</tbody>
</table>
1 INTRODUCTION

1.1 Interunit knowledge sharing in MNCs

Over time, the understanding of multinational corporations (MNCs) has gradually developed from viewing such firms as unitary organizations toward seeing them as differentiated interorganizational networks (Hedlund 1986, Ghoshal and Bartlett 1990). In the latter perspective, today generally acknowledged as the received wisdom on MNCs (see e.g. Gupta et al. 1999, Gupta and Govindarajan 2000), the MNC is seen as a globally distributed network of differentiated, more or less integrated units, the competitive capability of which depends on the sharing of resources inside the network. This follows from the currently accepted explanation for the existence of the MNC, anchored in the tradition of the resource-based view of the firm: multinational corporations exist because they are able to transfer and share resources – especially knowledge – between units more efficiently through internal channels than would be possible through external markets (Porter 1986, Bartlett and Ghoshal 1986, Winter, 1987, Kogut and Zander 1993, Zander and Kogut 1995, Grant 1996).

In real life, however, there is considerable variation in how efficiently MNCs handle the knowledge sharing process. Due to the importance of this issue for MNC competitiveness, much research has been directed at factors which cause variation in this respect (e.g. Szulanski 1996, Bresman, Birkinshaw and Nobel 1999, Hansen 1999, Gupta and Govindarajan 2000, Foss and Pedersen 2002, Kostova and Roth 2002). The findings indicate that – in addition to the level of knowledge present in subsidiaries and specific characteristics of that knowledge – the success of interunit knowledge sharing in MNCs is determined to an important extent by characteristics of the relationship between the involved units. However, our understanding of this important topic is far from complete. While answering certain questions, previous research has highlighted other issues which may have a bearing on the relational aspects of interunit knowledge sharing in MNCs but remain open to further exploration. The present thesis is intended to contribute to the research on interunit knowledge sharing in MNCs by increasing our knowledge of three such issues, namely language (Marschan 1997, Marschan-Piekkari et al. 1999a, 1999b), identity (Hedlund and
Kogut 1993, Kogut and Zander 1996), and feedback seeking (Gupta et al. 1999). This is done within the context of a theoretical framework based on social capital (Bourdieu 1986, Nahapiet and Ghoshal 1998), an introductory discussion of which is provided below.

While much empirical MNC research has been directed at exploring factors potentially impacting upon the efficiency of interunit sharing of resources (including knowledge), these findings have not yet been united under a common conceptual framework. Recently, however, the concept of social capital (Bourdieu 1986, Coleman 1988, Burt 1992, Putnam 1995) has been proposed as such a conceptual umbrella (Nahapiet and Ghoshal 1998). While broadly focusing on 'the significance of relationships as a resource for social action' (Nahapiet and Ghoshal 1998:242), this concept has been defined in a multitude of ways, reflecting the increasing number of research areas in which it has been put to use. In this work, I use the definition of Nahapiet and Ghoshal (1998: 243) of 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. Linked to this definition of social capital, developed explicitly to fit together with the discussion on interunit resource sharing within MNC studies, is a distinction between three interrelated, overlapping, but different dimensions of social capital: the structural, the relational, and the cognitive (Nahapiet and Ghoshal 1998, Tsai and Ghoshal 1998).

The potential contribution of the social capital perspective in the context of MNC research is that it provides a framework for explicit scrutiny of the relational and cognitive dimensions of interunit relationships, something which I argue previous research has largely tended to subsume under the structural linkages that have been a frequent object of examination in MNC studies under headings such as 'interunit interaction' or 'mechanisms of control and coordination'. The application of a social capital perspective may therefore bring an important contribution to our understanding of interunit knowledge sharing in MNCs. It also provides a framework for handling the specific issues of language, identity, and feedback seeking. These issues are briefly discussed below.
MNCs are unusual organizations in that they almost by definition are multilingual. Yet, until recently, natural languages – e.g. Swedish, English, or Japanese – have been the subject of little research by MNC scholars. My discussion of this important but overlooked topic has been inspired by the recent work of Marschan-Piekkari and her collaborators (Marschan et al. 1997, Marschan-Piekkari et al. 1999a, 1999b, Vaara et al. 2000), who suggest that language skills may serve as a basis for the emergence of informal networks between units and individuals in the MNC, and may influence the informal power of individual actors inside the MNC. These findings have obvious relevance for interunit knowledge sharing. Below, I treat language as an antecedent to social capital.

As for identity, the differentiated network perspective emphasizes that if the network MNC is to attain a satisfactory combination of both flexibility and resilience, hierarchical control and coordination mechanisms must be supplanted by normative ones (Hedlund 1986, Martinez and Jarillo 1989). In the words of Hedlund and Kogut (1993:355), this means that 'encouraging [the] internalization of the views, values, and strategies which give the organization an identity’ is seen as a more important control and coordination mechanism than either coercion or self-interest. This view emphasizes the key role of organizational identity and employees’ identification with it for control and coordination. However, recent research on organizational identity (e.g. Whetten and Godfrey 1998) suggests that the differentiated network perspective may take an overly optimistic view of the extent to which organizational identity lends itself to use as a management tool. Against this background, if identity and learning/knowing are as closely linked as suggested by Lave and Wenger (1991) and Kogut and Zander (1996), an examination of the role of organizational identity and identification in interunit knowledge sharing seems highly motivated. The approach to identity taken below is as one aspect of the relational dimension of social capital.

Finally, a key characteristic of the differentiated network MNC is increased self-regulation on behalf of subsidiaries as responsibilities are being devolved away from corporate headquarters (Hedlund 1986, Bartlett and Ghoshal 1989, Gupta and Govindarajan 1991). As top decision-makers at the subsidiary level, subsidiary top managers play a key role as receivers of these responsibilities, highlighting the importance of the self-regulating aspects of their behavior. Self-regulation, however,
necessitates feedback – something which managers may either receive directly, by solicitation, or by inference from informal cues (Ashford and Tsui 1991). I follow Gupta et al (1999) in focusing here on the latter two self-initiated modes and suggest that if feedback is seen as one form of knowledge, subsidiary top managers’ feedback seeking behavior is highly relevant for the present discussion as a dimension of knowledge sharing in MNCs.

1.2 Aim

Against the background of the discussion above, the aim of the thesis is formulated as follows:

To explore knowledge sharing in multinational corporations, with a particular focus on the role of language, identity, and feedback seeking behavior, from a social capital perspective.

1.3 Contribution

The overarching contribution of the thesis lies in expanding the understanding of knowledge sharing in differentiated network MNCs. More specifically, I argue that when viewed through a social capital lens, much of the previous empirical research on interunit knowledge sharing in MNCs is biased toward consideration of only the structural dimension of social capital. Explicit consideration of the relational and cognitive dimensions of social capital therefore has significant potential to deepen our understanding of how and why interunit knowledge sharing does (or does not) occur. At a more detailed level, the thesis contributes to MNC research by exploring the three specific issues of language, identity, and feedback seeking. The practical contribution is a more detailed understanding of what practitioners in MNCs can do to promote knowledge sharing between units.
1.4 Limitations

The scope of this thesis is explicitly limited to multinational corporations (MNCs). Following the official definition of the United Nations (quoted in Ghoshal and Westney 1993:6), they are here defined as:

’an enterprise (a) comprising entities in two or more countries, regardless of legal forms and field of activity of those entities, (b) which operates under a system of decision-making permitting coherent policies and a common strategy through one or more decision-making centers, (c) in which the entities are so linked, by ownership or otherwise, that one or more of them may be able to exercise a significant influence over the activities of the others, and, in particular, to share knowledge, resources, and responsibilities with others.’

The MNC constitutes a very specific context in the sense that it is usually both geographically dispersed, culturally and linguistically splintered, and rife with internal conflicts of interest – yet united by flows of money, products, and people as well as more or less strong legal, social, historical, visual, and cognitive ties. The discussion and conclusions presented below are thus not directly transferable to other contexts. However, I do tentatively suggest that some of the findings presented below – e.g. on the relationship between natural languages and intracorporate interaction – may be applicable to other types of organizations.

Further, my treatment of the impact of language in MNCs is limited to examining the impact of natural languages, such as English or Japanese. My primary concern is thus not with ’professional languages’, such as the jargon of computer geeks, or language in what might be termed a ’discursive’ sense. This limitation, obviously both artificial and difficult to enforce, is a reflection of the scope of the topic and should not be taken as an indication that other types of languages would not be of interest to MNC researchers.

As for knowledge sharing, I have chosen not to problematize either whether knowledge is actually being shared or not, or the substance of the knowledge possibly being shared. My starting point is in a respondent’s perception that an instance of
knowledge sharing has taken place. This is because I do not regard knowledge as something fixed which exists independent of its context. Knowledge is social and contextual, implying that respondent perceptions constitute an equally – perhaps more – valid measure of knowledge sharing compared to supposedly more objective measures. This view is also reflected in my choice to speak about ’sharing’ knowledge instead of ’transferring’ it, even though the latter expression is arguably more common in the field of MNC studies. Differing physical contexts and mental models makes knowledge ’transfer’ between units impossible. What is possible is, at most, a ’translation’ of the knowledge residing in one unit to the particular circumstances of another.

1.5 Structure of the thesis

This thesis is structured as follows. First, Chapter 2 provides an overview of previous research in which the differentiated network MNC, knowledge sharing (including feedback-seeking behavior), and social capital (including language and identity) are discussed more elaborately and the theoretical framework underlying the thesis is presented in graphic form. Chapter 3 treats methodological issues: the choice of a multi-method approach is explained and the two bodies of data on which the thesis is based are presented. Chapter 4 summarizes the five empirical studies or essays, and Chapter 5 contains a discussion of the findings and their implications. The five essays on which the thesis is based follow in the Appendices section.
2 PREVIOUS RESEARCH

2.1 Knowledge sharing in the differentiated network MNC: Open questions

International management research has increasingly moved towards viewing the multinational corporation (MNC) as an inter-organizational network of geographically dispersed and differentiated units (Hedlund, 1986; Bartlett and Ghoshal, 1989; Ghoshal and Bartlett, 1990), whose *raison d’être* lies in the ability to exploit resources – especially knowledge – more efficiently internally than would be possible through external market mechanisms (Kogut and Zander 1996). According to this view, MNCs’ competitive advantage is fundamentally based on how efficiently they share resources, especially knowledge, across units (Porter, 1986; Bartlett and Ghoshal 1986; Winter, 1987; Kogut and Zander 1993, Zander and Kogut 1995, Grant, 1996). Understanding how to optimize this process is thus a matter of central interest for scholars and practitioners alike.

Due to the importance of this issue for MNC competitiveness, much research has been directed at factors which cause variation in this respect. It has increasingly been acknowledged that parent corporations and HQs are not the only significant actors with regard to intra-MNC resource sharing: individual subsidiaries also can, and do, play a significant role in this respect (Birkinshaw and Hood 1998, Holm and Pedersen 2000). Consequently, interunit knowledge sharing relationships – both between sister subsidiaries and between subsidiaries and HQs – have lately attracted an increasing amount of scholarly interest.

Some examples of empirical research on this topic may be mentioned. Szulanski (1996) found causal ambiguity, an arduous relationship between the source and the recipient, and the recipient’s lack of absorptive capacity, to constitute obstacles to interunit knowledge sharing. Birkinshaw, Hood and Jonsson (1998), focusing on outward knowledge sharing from subsidiaries, found it to be impacted by subsidiary-specific resources, subsidiary initiative, subsidiary autonomy, and a low level of local competition. Bresman et al. (1999) showed that knowledge sharing following MNCs’ international acquisitions was facilitated by frequent communication and interaction.
between the acquired and the acquirer. Hansen (1999), studying the effects of interunit ties on search for and transfer of product development knowledge in a large MNC, found that strong ties hampered search but promoted transfer of complex knowledge, while weak ties promoted search but hampered transfer. Gupta and Govindarajan (2000) found subsidiary knowledge sharing to be positively associated with the value of subsidiary knowledge stock, subsidiary absorptive capacity, the richness of transmission channels, and the involved units’ motivation to share knowledge. Foss and Pedersen (2002) found that intra-MNC trade, interunit interdependence, and subsidiary autonomy had a positive impact on knowledge outflows from focal subsidiaries. Finally, Kostova and Roth (2002) found the adoption of an organizational practice by MNC subsidiaries to be positively affected by host country institutional environment, but also by the intra-MNC relational context – specifically by identification with and trust toward the parent MNC.

Research in the related field of international strategic alliances has yielded similar results. For example, Lane and Lubatkin (1998), focusing on partner characteristics in R&D alliances, found similarity of partners with respect to e.g. knowledge base and dominant logics to have a positive impact on knowledge sharing.

In sum, these findings indicate that – in addition to the level of knowledge present in subsidiaries and specific characteristics of that knowledge – the success of interunit knowledge sharing in MNCs is determined to an important extent by the character of the relationship between the involved units, whether analyzed in terms of ‘arduous relationships’, ‘autonomy’, ‘frequent communication and interaction’, ‘weak versus strong ties’, ‘similarity of dominant logics’, ‘motivation’, ‘identification’, or ‘trust’, as in the recent research briefly reviewed above. All the studies reviewed above emphasize that cooperative and cohesive behavior on the part of units involved in inter-unit resource transfers is crucial for the effective functioning of an MNC. For such behavior, in turn, normative integration has been forcefully argued to be an important prerequisite (Ouchi, 1979; Hedlund, 1986; Barlett and Ghoshal 1987, Prahalad and Doz 1987, Martinez and Jarillo 1989, Nohria and Ghoshal, 1994).

The idea that intrafirm resource sharing is abetted by cooperation based on shared norms is fundamental to what Scott (1998: 26) has called the ‘natural systems’ view
Within organizational sociology: Nohria and Ghoshal (1994) link their discussion back to the writings of Barnard (1939), Parsons (1956), and Etzioni (1965), while Bresman et al. (1999) make reference to Durkheim (1893/1933), Etzioni (1961), and Selznick (1965). Yet, despite its long heritage, this line of thought may still not have been exploited to its full potential when it comes to understanding knowledge sharing in MNCs. International business research has tended to focus on concrete mechanisms of normative integration, such as employee transfers, international training programs and project teams, and scheduled meetings of managers from different international locations (Martinez and Jarillo, 1989; O’Donnell, 2000). Exploring the impact of such mechanisms on knowledge sharing is undoubtedly very important, and they have the advantage of lending themselves relatively easily to quantitative measurement. However, I interpret the recent research of Nahapiet and Ghoshal (1998) and Tsai and Ghoshal (1998) as underlining that also the cognitive and relational dimensions of interunit relationships may strongly influence the extent to which interunit knowledge sharing occurs, indicating that these dimensions should be subjected to explicit examination in their own right. The recent study by Kostova and Roth (2002) is a step in this direction, but much remains to be done.

Against this background, I suggest that a social capital perspective can make a potentially valuable contribution to our understanding of knowledge sharing in MNCs by forcing explicit consideration of not only the structural dimension, but also of the relational and cognitive dimensions. I now proceed to a presentation and discussion of this perspective.

2.2 Social capital

The concept of social capital has its roots in Bourdieu’s thinking on power and resources. Different types of ‘capitals’ (e.g. economic, social, cultural, symbolic, etc.), seen as being convertible into one another more or less easily, constitute one of the key elements of Bourdieu’s sociology (Granovetter and Swedberg 2001:111). For example, economic capital (material wealth) may under certain conditions be converted into cultural capital (knowledge, skills, or other cultural acquisitions) (Thompson 1991:15). As used in this context – more specifically, as originally
employed by Bourdieu in his work on the sociology of education – social capital denotes

'the aggregate of the actual or potential resources that are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition – or, in other words, to membership in a group – which provides each of its members with the backing of the collectivity-owned capital, a ”credential” that entitles them to credit in the various senses of the word' (Bourdieu 1986 in Granovetter and Swedberg 2001:102-103).

Based on more recent work by Bourdieu himself (Bourdieu 1991, 1993) and adaptations by other scholars (e.g. Coleman 1988, 1990; Burt 1992, 1997; Putnam 1995, Fukuyama 1995), the social capital idea has spread outside the sociology of education to become increasingly popular in a number of other social science disciplines, also including management (Nahapiet and Ghoshal 1998, Tsai and Ghoshal 1998, Leana and Van Buren 1999, Adler and Kwon 2002). This reflects the applicability to nearly all dimensions of social life of the fundamental insight that an important characteristic of social ties is that they can be used for other purposes than they originally have emerged for (Adler and Kwon 2002).

The increasing popularity of the social capital concept within the social sciences has resulted in several different definitions of it. They share a common denominator in the view that social capital is ‘understood roughly as the goodwill that is engendered by the fabric of social relations and that can be mobilized to facilitate action’ (Adler and Kwon 2002:17). In this work, I adopt the definition of Nahapiet and Ghoshal (1998:243), based on Bourdieu (1986, 1993) and Putnam (1995), of 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’.

Nahapiet and Ghoshal (1998:244), in their effort to clarify the dimensions of social capital in the context of business firms, distinguish between three interrelated, overlapping, but different dimensions of social capital: the structural, the relational,
and the cognitive. The structural dimension is mainly concerned with the impersonal linkages between people or units, such as e.g. the existence of network ties between actors; the pattern of ties in terms of e.g. density, connectivity, or hierarchy; and the existence of networks created for one purpose that may be used for another (‘appropriable organization’). The relational dimension focuses on those personal relationships, friendships, and relations of mutual respect individuals have developed through a history of interactions, and so includes such concepts as trust and trustworthiness, norms and sanctions, obligations and expectations, and identity and identification. Finally, the cognitive dimension encompasses organizational phenomena such as shared representations, interpretations, language, codes, narratives, and systems of meaning among parties.

Tsai and Ghoshal (1998) provided the first empirical application of social capital to the MNC context. Terming the structural dimension ’social interaction’, the cognitive dimension ’shared vision’, and the relational dimension ’trust’ (a vocabulary also used in some of the essays this work is based on), they examined relationships between these dimensions and the patterns of resource exchange and combination inside 15 units of a large MNC. Their results indicated that intra-MNC resource exchange and combination indeed increased with social capital levels. It should be noted that, again following Tsai and Ghoshal (1998:470), resource exchange and resource combination are discussed as one concept in this thesis since ’the resource combination process often takes place in conjunction with resource exchange’.

In their recent overview article, Adler and Kwon (2002:18) note that social capital may be criticized as legitimating ’a conceptual strategy of bringing under the one notion much of what has been studied under such concepts as informal organization, trust, culture, social support, social exchange, social resources, embeddedness, relational contracts, social networks, and interfirm networks’. Such a broad scope of applicability obviously has potential disadvantages with regard to conceptual clarity: treating social capital as an umbrella concept covering all the above aspects of social life runs a considerable risk of ’conflating disparate processes and their distinct antecedents and consequences’ (Adler and Kwon 2002:18).
However, a focus on social capital may for two reasons be valuable for understanding interunit knowledge sharing in MNCs. Firstly, as Nahapiet and Ghoshal (1998:242) argue, it may help unite current insights into the attributes of organizations as knowledge systems under a common conceptual framework. Secondly, I argue that a social capital approach can illuminate certain dimensions of interunit relationships which perhaps have not yet been sufficiently explicitly considered in empirical research on MNCs. I refer specifically to issues related to trust and trustworthiness, identity and identification, and shared interpretations, visions and values, i.e. the relational and cognitive dimensions of social capital as conceptualized by Nahapiet and Ghoshal (1998). In previous research on MNCs, the existence of relational and cognitive linkages has largely been assumed given the existence of structural linkages, which have been examined under headings such as 'interunit interaction' or 'mechanisms of control and coordination'. By contrast, in Nahapiet and Ghoshal’s (1998) take on social capital, while the structural dimension is still to some extent seen as a driver of the relational and cognitive dimensions, the latter are subjected to explicit scrutiny in their own right.

This constitutes a potentially important contribution to our understanding of interunit knowledge sharing in MNCs, especially given the argument that variation in the ability to create and exploit social capital may over time result in interfirm performance differences (Nahapiet and Ghoshal 1998), an argument which Tsai and Ghoshal (1998) presented some empirical evidence in favour of. Against this background, I suggest that given the current state of our knowledge, the potential advantages of using social capital as a framework for examining interunit knowledge sharing in MNCs is likely to outweigh the potential problems.

2.3 Language

As noted above, the interorganizational network view of the MNC emphasizes interunit coordination and integration, and for achieving this, interunit communication through frequent face-to-face interaction in e.g. teams, taskforces, and meetings across unit boundaries is generally considered a key mechanism (Edström and Galbraith 1977, Hedlund 1986, Ghoshal and Bartlett 1988, Bartlett and Ghoshal 1989,
Gupta and Govindarajan 1991, 2000, Ghoshal et al. 1994). The notion that language skills are essential for this kind of interaction to result in meaningful communication lies at the very root of the differentiated network view of the MNC.

Yet, although the importance of language skills has occasionally been mentioned in the literature on the management of the MNC (Hedlund, 1986; Govindarajan and Gupta, 2001) it is only very recently that empirical research establishing its influence on interunit communication and the building of a cohesive organization has been published. The findings of Marschan-Piekkari and her collaborators (Marschan et al. 1997, Marschan-Piekkari et al. 1999a, 1999b) indicate that language skills may both serve as a basis for the emergence of informal networks between units and individuals in the MNC, and influence the informal power of individual actors inside the MNC. These findings have obvious relevance for interunit knowledge sharing. They also fit well with the social capital perspective: limited language skills can reasonably be thought to constitute a formidable barrier to the accumulation of both structural, relational, and cognitive social capital.

Nahapiet and Ghoshal (1998: 253-254) bring up the issue of language in their discussion of social capital, classifying it as an aspect of the cognitive dimension of social capital\(^1\) and grouping the effects of language in three groups, two of which are treated here\(^2\). Firstly, since language is the means by which people discuss, exchange information, ask questions, and conduct business, sharing a common language makes it easier to access other people and their information, and conversely, differing language and codes can keep people apart and restrict their access to each other. This effect is below termed ‘direct impact’. It pertains to the extent to which skills in a particular language give those who speak it access to other people and their information. It has implications with regard to intraorganizational power and politics:

\(^1\) While Nahapiet and Ghoshal (1998) classify language as one aspect of the cognitive dimension of social capital, I treat it below as a potential antecedent of social capital. This apparent discrepancy stems from Nahapiet and Ghoshal’s (1998) concern not only with natural languages, but also with professional and discursive ones. I argue that any accumulation of social capital through sharing a discursive language must be preceded by the ability to communicate in a natural language; regarding natural language as an antecedent of social capital is therefore not in conflict with regarding discursive languages as an aspect of its cognitive dimension.

\(^2\) The third type of effect of language stems from the enhanced combination capability provided by a shared language. However, this effect primarily pertains to what I have termed ‘professional’ languages; it therefore falls outside the scope of the present discussion.
organization members with relevant language skills may be able to use these skills to build broad personal intrafirm networks and/or as a source of power (Marschan et al. 1997, Marschan-Piekkari et al. 1999a, 1999b).

In addition to its direct impact, Nahapiet and Ghoshal (1998: 253) also argue that language has a more deeply entrenched impact on perception, an impact below termed 'perceptual filtration':

‘Codes organize sensory data into perceptual categories and provide a frame of reference for observing and interpreting our environment. Thus, language filters out of awareness those events for which terms do not exist in the language and filters in those activities for which terms do exist. Shared language, therefore, may provide a common conceptual apparatus for evaluating the likely benefits of exchange and combination.’

Nahapiet and Ghoshal (1998) do not specify the possible practical consequences of perceptual filtration based on interunit variation in natural language skills, but the research of Marschan-Piekkari et al. (1997, 1999a, 1999b, Vaara et al. 2000) provide certain hints in this regard. Their findings indicate that perceptual filtration effects arising from the fact that different natural languages are spoken inside MNCs may lead to individuals, units, and even whole regions being filtered out of each other’s view, as limited language skills create a sense of remoteness and disconnectedness.

Relatedly, we note that research within social identity theory and social categorization theory suggests that the adoption of a social identity – based on e.g. situational factors, race, or, importantly for our discussion, accent – may reinforce perceived intraclass similarities and interclass differences, thereby resulting in the creation and maintenance of in-group preferences (Erez and Earley 1993). The “superiority” of a language capability is thus highly context-dependent: a person perceived as a fluent speaker in one context may be filtered out as non-fluent in another context due to her accent, although both the language and the speaker’s skills remain the same.

Finally, language-related perceptions can imbue languages with symbolic characteristics which may be quite separate from their practical or business
characteristics, yet impact powerfully on the organizations in which they are used (Vaara et al. 2000).

2.4 Identity

The use of normative control and coordination mechanisms as a complement to hierarchical ones is a central characteristic of the differentiated network MNC, and in the key writings which introduced this perspective (Hedlund 1986, Bartlett and Ghoshal, 1987, Martinez and Jarillo 1989), a shared sense of organizational identity is emphasized as a key element of normative control – usually with reference to Ouchi’s (1979) thoughts on ‘clan control’, which may be summarized as employees being more likely to engage in behavior compatible with the interests of the overall organization when the degree of identification and shared goals, visions, values and beliefs is high. In the differentiated network view, the internalization of views, values, and strategies which together provide the MNC with an identity is thus seen as a more important control and coordination mechanism than either coercion or self-interest (Hedlund and Kogut 1993:355). The rationale of this argument is well expressed in Sheppard and Tuchinsky’s (1996:145) discussion of identification-based trust as a higher order of trust than either deterrence- or knowledge-based trust:

‘When an identity-based relationship exists, it is possible for one’s partner to act in his or her stead... identity-based trust makes it possible for a person, group, or firm to permit a partner to act independently – knowing its interests will get met. The agency problem is mitigated.’

However, despite the conceptual importance of organizational identity in the differentiated network view of the MNC, the view of the topic commonly taken in empirical research from this perspective may be criticized as being overly optimistic with regard to the ability of top management to use identity for business purposes. The treatment of organizational identity in this literature seems to imply, firstly, a belief that organizational identity and individual actors’ identification with it can be harnessed for instrumental purposes provided top management has the necessary skill; and secondly, a view of corporate top management itself as being decoupled from, or
not involved in, organizational identity. This view appears similar to what Whetten and Godfrey (1998), in their classification of perspectives on organizational identity into functionalist, interpretive, and postmodern, describe as a functionalist view: organizational identity is assumed to be a ‘true self’ that exists independently of the environment, and can be used by actors in that environment to shape the actions and cognitions of other actors.

However, this perspective may not be optimal from the viewpoint of describing and analyzing organizational realities in MNCs, which by function of their size and their geographical and functional differentiation may not ever possess unified ‘true selves’. Especially if identity and learning/knowing are as closely linked as suggested by e.g. Lave and Wenger (1991) and Kogut and Zander (1996), it would seem important to base an examination of interunit knowledge sharing on a view of organizational identity that possibly fits better with perceived organizational realities. Therefore, I argue that a re-examination of the approach to organizational identity in the differentiated network view of the MNC seems motivated. This argument gains additional weight from the fact that, although research based on the differentiated network view of the MNC does acknowledge the importance of shared identity for interunit knowledge sharing, identity has seldom been included as a variable in empirical work on the topic. Kostova and Roth’s (2002) study is a recent exception.

In this thesis, I attempt to respond to this critique by analysing identity in MNCs from a different perspective, closer to what Whetten and Godfrey (1998:42) describe as ‘interpretive’. This view of organizational identity implies that identity can only exist in relations between actors, as opposed to independently in lone actors, and organizational self-identification thus necessitates reference to others. Labeling oneself is possible only in relation to others (‘Whom do I look like?’) or to oneself as one used to be. In this view, the central problem may thus be expressed as ‘how do we collectively construct who we are?’, and organizational identity is defined as ‘a continuously renegotiated set of meanings about who we are’ (Whetten and Godfrey 1998:42).
2.5 Feedback seeking

From a subsidiary top manager’s viewpoint, feedback is a potentially valuable resource which can be acquired through one or both of two mutually non-exclusive strategies – monitoring and inquiry – which both carry specific costs and benefits (Ashford and Cummings 1983, Ashford 1986, Bennett et al. 1990, Northcraft and Ashford 1990, Ashford and Tsui 1991, Fedor 1991, Gupta et al. 1999). Feedback-seeking through monitoring ‘entails observing the situation and the behaviors of other actors for cues useful as feedback... [and thus] involves a fair degree of interpretation and inference’ (Ashford and Cummings 1983: 382-383). Feedback-seeking through inquiry, by contrast, is carried out through the focal individual ‘directly asking actors in [his or her information environment] for their perception and/or evaluation of the behavior in question’ (Ashford and Cummings 1983: 385). Feedback obtained through inquiry may be easier to interpret (and, hence, to act upon) than feedback obtained through monitoring, but may also entail greater effort and face loss costs. Inversely, the inference costs of feedback-seeking through monitoring are potentially higher and the obtained feedback usually more opaque.

Gupta et al. (1999) demonstrated a positive relationship between intracorporate social interaction, i.e. the structural dimension of social capital, and subsidiary top managers’ feedback seeking behavior in MNCs. They found that both kinds of feedback seeking were significantly more frequent (a) the more laterally integrated with the rest of the MNC the studied subsidiaries were, and (b) the more subsidiary top managers had participated in corporate socialisation mechanisms. In addition, feedback-seeking through monitoring was found to be more common the more frequently subsidiary top managers communicated with parent company executives.

The cognitive and relational dimensions of social capital have not yet been integrated in the work on feedback-seeking behavior in MNCs, but it seems likely that managers’ feedback-seeking propensity is stimulated by high levels of both structural, cognitive, and relational social capital.
2.6 Summary

The above discussion can be summarized as follows. The competitiveness of differentiated network MNCs depends on interunit knowledge sharing. Among MNC scholars, knowledge sharing is generally accepted to be advanced by normative integration. Normative integration occurs through selection, training, and interaction, and entails socialization to common values and norms, as well as the adoption of a shared identity. This translates to the vocabulary of social capital as an emphasis on all three dimensions of social capital – structural, relational, and cognitive – for interunit knowledge sharing.

The key contribution of the social capital perspective is the observation that social linkages which have emerged for one purpose may be used for another. These linkages, which in the MNC context may be classified into a) structural, b) relational, and c) cognitive, are interlinked, overlapping, and multidimensional. This complexity poses a potential threat to the usefulness of the social capital perspective as an analytical tool. However, empirical studies on interunit knowledge sharing in the context of MNCs have until now mainly focused on the structural dimension, using it as an indicator or proxy also of the relational and cognitive dimensions. The contribution of a social capital perspective therefore lies in highlighting the relational and cognitive dimensions. This is likely to outweigh the disadvantages associated with the complexity of the concept.

Within this framework, I have singled out three issues – identity, language, and feedback seeking – as potentially particularly relevant for knowledge sharing in differentiated network MNCs. I emphasize that the choice to focus on these three issues has been made in an effort to explore dimensions of interunit knowledge sharing deemed to be particularly interesting and currently overlooked; there are numerous other aspects which are highly relevant, and the singling out of feedback seeking, language and identity for more specific examination in this thesis should not be interpreted as implying the contrary. They are integrated in the framework as follows: feedback seeking is treated as one form of knowledge sharing, identity as one aspect of relational social capital, and language as an external factor potentially affecting all three types of social capital.
This discussion is summarized in Figure 2.1 below, depicting the theoretical framework of the thesis.

**Figure 2.1: Theoretical framework of the thesis**
3 METHODOLOGY

3.1 Development of pre-understanding

The research process which has resulted in this thesis began with a master’s thesis on personnel magazines in MNCs (Barner-Rasmussen 1997). From there, I enlarged my focus to study intracorporate written mass communication. On this topic, I wrote a licentiate thesis exploring the links between Northern European MNCs’ internal written mass communication and their normative integration efforts (Barner-Rasmussen 1999). The findings of this work indicated that larger MNCs were more likely to emphasize management-driven development of a common corporate culture as a goal for their internal communication, while firms characterized by related diversification (Sambharya 1995) were more likely to emphasize exploitation of intrafirm synergies. The pre-understanding stemming from these studies can be summarized in terms of the notion that MNCs are under increasing pressure to integrate their activities and exploit internal synergies – in other words, transfer internal knowledge of different kinds – the larger and more complex they become. These findings harmonized well with previous research on differentiated network MNCs (Hedlund 1986, Ghoshal and Bartlett 1990) and seemed to motivate further study of the links between communication, integration and knowledge sharing inside MNCs. This pre-understanding formed part of the theoretical background when data collection for the present study was begun.

3.2 Empirical base of the present work

Since the licenciate thesis had illustrated certain difficulties with studying the issues at hand by merely quantitative means, I decided to adopt a multi-method approach for subsequent inquiries. This thesis is therefore based on two bodies of data. The first is a large-scale quantitative survey study of MNC subsidiaries in Finland and the People’s Republic of China. The second is an in-depth, exploratory case study of a Finnish multinational corporation, here carrying the pseudonym ‘Walcor’.
Three of the essays appended to this thesis are based on the quantitative and two on the qualitative data. While the two data sets are not directly comparable, this multi-method approach has substantial advantages in enabling a richer understanding of the research problem to develop. The case study has illuminated aspects of the studied issues which would have been difficult to handle within the context of a survey study. The choice of a multi-method approach is also motivated by the fact that the previous understanding of certain of the issues studied, such as the impact of language in MNCs, is highly limited. In such cases, an exploratory approach aiming at theory development is recommendable in the initial stages of research (Eisenhardt 1989).

In the following sections, the two data sets are described in greater detail.

3.2.1 Quantitative data and analysis
Data for this study were collected through structured face-to-face interviews with top managers of Finnish and Chinese subsidiaries of foreign MNCs. These interviews were conducted within the context of a larger research project at my home department, sponsored by the Foundation for Economic Education and the Academy of Finland and led by my supervisor. Finland and China were chosen so as to test the hypotheses with data from two different contexts, one advanced small industrial country (Finland) and one large developing country (China). In both cases the data collection was begun by sending a letter to the subsidiary president – in Finland to the 150 largest foreign-owned subsidiaries, in China to some 300 foreign-owned subsidiaries whose contact information was available to us. The letter described the project and emphasized the confidentiality of individual responses. The subsidiary presidents were then contacted by telephone to book interviews. 164 subsidiaries (89 Finnish, 75 Chinese) agreed to participate in the study, resulting in a sample of 38 US-owned, 59 Nordic-owned, and 67 European-owned units. They had been part of their parent corporations for an average of 14.7 years, had a mean of 379 employees, and average annual sales of 79.7 million US $. Their parent companies had an average annual turnover of 10,544 million US $ and operated in 67 countries.

The interviews, which lasted 45-120 minutes, were conducted in Finland between January and May 2000, and in China between March 2001 and July 2002. During the interviews, the respondents and the researchers went through a pre-tested
questionnaire together and filled it out. The questionnaire language was English; any terms respondents had difficulty understanding were explained to them in another language they felt comfortable with (Finnish, Swedish, or Mandarin). The questionnaires used in Finland were modified slightly for use in China, partly because the data collection in Finland had showed the instrument to be somewhat cumbersome in use, partly because not all questions were considered relevant for the Chinese context, and partly because the Chinese context made some additional information desirable. Some minor changes in the questionnaire were consequently made; both versions are appended to this work. In this context it should be noted that Essay 5, on subsidiary top managers’ feedback seeking behavior, is based on data only from the Finnish subsample. This is because practical limitations on the length of the questionnaire precluded collecting data on feedback seeking from the Chinese sample. I personally participated in 33 interviews in Finland and 4 in China.

The questionnaires began with a set of questions about the focal subsidiary and its parent organization. Then, in separate but identical sections, we explored the focal subsidiary’s bilateral relationships to certain other units belonging to the same parent MNC. These units were chosen by the respondents, who were asked to focus on the unit in a specified geographical area (if applicable) with which they had the most intense knowledge transfer relationship. In Finland, these units were: the focal subsidiary’s headquarters (defined as the unit to which it reported), one Nordic unit, one European unit, and one overseas unit. In China, the corresponding units were: the focal subsidiary’s headquarters (again defined as the unit to which it reported), one other corporate unit in China, one unit located elsewhere in Asia, and one overseas unit. As only a minority of the studied subsidiaries were involved in all four types of relationships, the final data set covered 383 relations (197 with a Finnish subsidiary as counterpart and 186 with a Chinese one) of the theoretical maximum of 656. Depending on the analyses made, however, some of these relationships contained missing values; therefore the actual number of cases used in the appended regressions is smaller than the total number of relations in the data set.

We also collected data on the Chinese subsidiaries’ relations to local partner firms which did not belong to the same MNC. These relations, 51 in total, have not been included in the results reported here.
3.2.2 Qualitative data and analysis

The case study on Walcor Corporation may best be characterised as an in-depth, exploratory single-case study. The case study method was judged appropriate primarily because of the scarcity of previous research on the subject (Eisenhardt 1989). There were two main reasons for choosing Walcor as a case. Firstly, the company had gone through extensive restructuring during the period preceding the study; notably, its degree of internationalization had increased sharply. And secondly, its top management appeared to endorse multilinguality to an extent rather rare among highly internationalized firms. For these reasons it was judged that Walcor represented an 'extreme case' (see e.g. Eisenhardt 1989, Yin 1994) which might yield interesting theoretical insights.

The study was begun in March 2000 with an examination of Walcor’s history from literary sources. During spring 2000, the author and a colleague conducted semi-structured, open-ended interviews with Walcor’s chief executive officer, his deputy, three high-ranking managers representing two of Walcor’s four current business areas, and four members of the corporate communications staff. These initial interviews were carried out in the context of a consultancy project on the role of language and visual aids in the communication of corporate vision, managed by a research institute at the author’s home department. These interviews confirmed that Walcor indeed seemed to be an interesting case from a language viewpoint and allowed convenient access to top management, making it much easier for the author to subsequently obtain permission to carry out further interviews for his thesis work.

Having been granted access permission by top management in late May 2000, the author continued with interviews at the subsidiary level between August 2000 and April 2001, conducting 18 interviews with respondents from Walcor’s Nordic units and an additional 9 with respondents from their European, U.S., and Asian units. The respondents, who were chosen by snowballing based on tips by business area top managers, included both home, host, and third country nationals, occupying a range of management positions at the subsidiary and area levels. These interviews brought the total number of respondents to 36. All interviews were carried out in Swedish, English or Finnish, and were recorded and transcribed verbatim as soon as possible after the interview.
It should be pointed out in this context that the author is a Swedish-speaking Finn, that is, a person whose first language is the accented Swedish spoken in Finland. The author is also fluent in Finnish and English, but not to the extent of being taken for a native speaker of either. This information is relevant both because the interview material has specifically been used to explore the role of language in MNCs, and because Walcor top management at the time of the study was (and traditionally had been) dominated by Swedish-speaking Finns. The unavoidable power, credibility, and objectivity issues following from this were tackled by introducing the project to the respondents as a study on knowledge sharing in MNCs, meaning that the author’s specific interest in natural languages was not underlined, and by emphasizing that the project neither had any consulting goals nor received financial support by Walcor. Individual respondents were also promised full anonymity.

The interview transcripts were supported with field notes, the author’s travel diaries, respondents’ sketches, lists, etc., and e-mail conversations with the respondents. The data collection also included a wide range of written material: annual reports, product manuals issued by business areas and subsidiaries, newsletters, web sites, personnel and customer magazines at all organizational levels, the official corporate history, and the corporate personnel manual. Also, during the autumn of 2000, as members of Walcor middle management took part in the second stage of the consultancy project mentioned above, the author’s small role as a discussant in this project permitted observation of how they constructed and presented their company to an external peer group. The author also toured four Walcor production units, shared numerous on-site meals and coffees with respondents and their colleagues, and occasionally, when abroad on field trips, was able to conduct informal observation of Walcor employees frequenting the same hotels, restaurants, and bars. Finally, the author’s understanding of Walcor has also been formed by informal communication with colleagues in the research community who have been involved with the company either as researchers or as consultants, by Walcor’s way of handling the author’s request for research.

---

3 It may be noted that such support was offered by Walcor top management at the outset of the study, but declined by the author for reasons of scientific objectivity and independence. Walcor’s active involvement in the project was thus limited to access permission by the CEO, some secretarial assistance at the earliest stages, a return ticket to Stockholm to carry out one of the first interviews, and access to a laptop computer.
access, by a job offer from them during the course of the study⁴, and by the way the concrete interview arrangements were handled in units around the world.

The analysis of the data was carried out in the following way. First, a case description, essentially identical to the one on the following pages, was presented to a group which included Walcor’s CEO, the director of corporate communications, and four members of the corporate communications staff. This occurred during an in-house seminar at Walcor’s HQ associated with the consultancy project mentioned above. The participants in the seminar said they found this description of Walcor consistent with their own perception and voiced no wishes to change it. After this point, the analysis of the data was essentially based on triangulation between the interview transcripts, written sources, field notes, and previous research. This work broadly involved analyzing the transcripts for quotes and stories which seemed relevant for the research problem, grouping these into themes, and assessing, regrouping, and analyzing these themes in triangulation with other sources. Two of the essays appended to this thesis are based on this material. The details of the data analysis naturally varies somewhat between them, not least because Essay 1 (on organizational identity) is a joint effort between myself and two co-authors, whereas I am the sole author of Essay 2 (on language). More detailed descriptions of the methods employed are therefore provided in the appendices.

The translation of the Finnish and Swedish interview excerpts quoted in this thesis have been done by the author, who has eight years of professional experience as a freelance translator between Finnish, Swedish, and English. In an effort to communicate some of the feeling of the interviews to the reader, the translated interview excerpts quoted below have been kept as close to the originals as possible. Colloquialisms, slang, and cases of broken English have therefore not been ’cleaned up’.

⁴ This was motivated by a lack of personnel in Walcor’s communications department, from which people were drafted to support a high-priority e-business initiative, in combination with the author’s perceived language skills and work experience as a journalist. The author’s declination of the offer was met with understanding and did not have any evident impact on the study.
Case description

Walcor was founded in the late 1800s in a regional town in Finland. Originally a mining company, it subsequently evolved into a major producer of construction materials and one of the largest companies in the country. In 1990, well-known public figure Anders Berg was appointed CEO. Mr Berg was a Swedish-speaking Finn who had formerly been a high-ranking official in the Swedish People’s Party, a politically moderate party mainly existing to protect the interests of the Swedish-speaking minority which constitutes approximately 6% of Finland’s population. Defending the constitutional right of Swedish-speaking citizens to use their own first language in any communication with governmental or other authorities is high on the party’s agenda.

At the same time as Berg entered office, a restructuring of Walcor’s construction business was begun. This was partly to escape an increasingly vulnerable market position due to a general concentration of the European construction industry, in which Walcor was only a midsize player despite being among the largest firms in its home market, and partly to survive the more immediate threat of a local decline in construction induced by the severe recession which hit Finland in the early 1990s. The original intention was to continue keeping up a presence in construction, but eventually a series of international mergers and acquisitions practically forced Walcor out of that business. The company’s holdings in this field ended up as constituting a 25% share in a European construction giant, a minority position perceived as untenable in the long run. It was sold off, leaving Walcor with considerable cash resources but little business.

However, Walcor was not solely dependent on construction. In the ’70s, a previous CEO had begun building up what was regularly referred to as a ’second leg’ in mechanical engineering. This business unit, assembled through acquisitions and traditionally managed in a relatively hands-off way, was much more internationalized than the rest of Walcor and was thus not hit as hard by the catastrophic decline of Finnish construction in 1991-94. It played a crucial role in keeping up the stock market’s confidence in Walcor during those difficult years and made it appear clear to top management that engineering was the way to go. Thus, in combination with the forced exit from construction, the existence of ’the second leg’ resulted in a decision to refocus the whole corporation on mechanical engineering. Preparations were consequently initiated for building up a position in this market.
Around this time, Anders Berg heard through his political contacts that Teollis, an unprofitable Finnish state-owned conglomerate with activities in three areas of mechanical engineering, was about to be privatized. He let the responsible governmental bodies know that Walcor would be interested in buying out one of Teollis’s business areas. However, the government would only sell Teollis in one piece. Berg seized the moment and in 1997, Walcor made a winning bid for Teollis. This deal was quickly complemented with the acquisition of Industri of Sweden, the most important competitor of one of the old Teollis businesses, and the subsequent merger of these where Industri came out as the dominant party. Additional acquisitions were made in the following years, but they were of relatively minor importance compared to the ones described above.

By 1998 ‘the second leg’ had thus become four legs – one (relatively speaking) old Walcor leg, two old Teollis legs, and a fourth leg which was partly Teollis but dominated by Industri. Walcor now consisted of four business areas within the field of mechanical engineering, all roughly equal in size and three of them among the global top three in their respective market niches. More than 80 percent of annual sales came from abroad. This was a considerable change from the late 1980s, when the company had been almost exclusively dependent on its relatively small home market.

Efforts toward greater integration and increased knowledge sharing were integral to top management’s view of Walcor’s future development. The main argument was that there were considerable synergies between the new business areas with regard to business processes, financial practices, sourcing, product development, production, sales and marketing, and after-sales service. The stated goal was to forge the acquired subsidiaries into a united corporation which would be stronger, more innovative, and more cost effective than the separate businesses could be on their own. These arguments are familiar from current international business research (e.g. Bartlett and Ghoshal 1995a,b). However, the top management team’s take on what was to be integrated and how was not always well received in the new subsidiaries. Many of them had long histories of their own and still tended to see themselves as autonomous. These differing role perceptions were in many cases exacerbated by cultural differences, particularly in the case of certain Swedish subsidiaries. Despite numerous historical, geographical, political, and business links, the cultural differences between
Finland and Sweden are considerable (see e.g. Hofstede 1980 and later, Vaara 2000), and the Finnish and Swedish languages are completely different from each other.

At the time of the study, Walcor did not have one official corporate language. On the factory floor in Finland the language was Finnish, but within top management the traditional language was the accented Swedish spoken in Finland. Walcor traced its roots to the Swedish-speaking coastal area of southern Finland, its founders had been Swedish-speaking Finns, and it was semi-jokingly said within the company that fluency in Swedish was an informal requirement for advance to the top echelons of the corporation. At the time of the study, many key managers were Swedish-speaking Finns, including Mr. Berg and his deputy. Swedish was of course also important because many important subsidiaries were located in Sweden and a considerable percentage of annual sales were generated there. However, the importance of English had increased markedly during the 1990s as the company internationalized. The corporate parent organization went to great lengths to balance between Finnish, Swedish, and English in its communication, and much of the corporate communications material was produced in at least these three languages. But to the extent that resources permitted, the conscious effort toward language pluralism went beyond even this. As an example, a monthly newsletter created to support the work of interunit teams tasked with revising the product development, production, sales and marketing, and after-sales service processes, was published not only in Finnish, Swedish and English, but in eight additional languages, including Korean and two different Portuguese versions – one for Brazil and one for Portugal.
4 SUMMARY OF THE EMPIRICAL STUDIES

Essay 1: Identity, integration, and nostalgia in a multinational corporation: Translating top management
Authors: Wilhelm Barner-Rasmussen, Mia Örndahl, Marjana Johansson
Data: Based on the Walcor case

Scholars working within the differentiated network paradigm (e.g., Hedlund and Kogut 1993) have suggested that shared identity is important for knowledge sharing in MNCs. In social capital terms, this can be expressed as an emphasis on the importance of relational social capital, one central aspect of which is identity and identification (Nahapiet and Ghoshal 1998). However, recent research on the social construction of organizational identities (e.g., Sevón 1996, Whetten and Godfrey 1998) suggests that the differentiated network paradigm may be overly optimistic with regard to how extensively MNC top management can use organizational identity as a tool to promote interunit knowledge sharing. This essay therefore applies an alternative perspective on organizational identity – one inspired by social constructionism and the literature on the social construction of identities (Czarniawska and Sevón 1996) – to the Walcor case, with the aim of reassessing the relationship between top management and organizational identity.

From the viewpoint of the thesis as a whole, the main contribution of the essay lies in increasing the understanding of how relational social capital may be accumulated in MNCs. Further, since the dimensions of social capital overlap, the essay also casts some light on links between the relational dimension of social capital and its structural and cognitive dimensions. Figure 4.1 illustrates the positioning of Essay 1 within the theoretical framework of the thesis.
In the essay, identity construction processes in Walcor are described and analyzed. The analysis uncovers two main discourses which were drawn upon to narrate constructions of identity: an ‘integration discourse’ pertaining to a shared corporate future, and a ‘nostalgic discourse’ centered around the organizational pasts of the corporation’s individual units and businesses. Top management members were the main proponents of the former; however, the latter was employed not only by other organizational members, but also – although more discreetly – by the same top managers whose main discourses were cast in terms of integration. This emphasis on nostalgia highlights the role of time and shared history as an important element of organizational identity constructions.

Being representatives of a certain function or experts on a certain product also seemed to function as a basis for the construction of shared identities. For example, the interunit cooperation in sourcing instituted as part of Walcor’s integration efforts was reported to have been quite successful compared to many other such efforts, specifically because it harmonized with the professional goals and identities of the individuals and departments involved. However, it seemed important for the construction of joint identities that such linkages be devoid of conflict and competition.

In sum, the findings indicate that it is difficult for individuals and organizations to construct new shared identities if they hark back nostalgically to old ones. This, unsurprisingly, appears to be more common when extensive changes have occurred and especially if loss of independence or power has been incurred, as had happened in many parts of the case organization following the restructuring and integration efforts.
Notably, the Walcor findings suggest that even top management members who instigate restructuring are not immune to nostalgizing for pre-restructuring pasts. This indicates, firstly, that top managers do not hold an external or independent position in relation to organizational identity construction processes, but are on the contrary both involved in and touched by these; and secondly, that the construction of a joint identity for a MNC – especially one assembled through acquisitions over a short period of time – is a daunting task to say the least.

From the viewpoint of how relational social capital is accumulated in MNCs, these conclusions sound a cautionary note. To quite some extent, relational social capital seems to be something which emerges over time, at its own pace, provided certain conditions are met (for example, that interunit conflict and competition remains at a reasonable level) and provided the process is not disturbed by radical organizational changes such as had occurred in Walcor.

As for the linkages between the social capital dimensions, relationships characterized by high levels of relational social capital also seemed to be high on cognitive social capital. The relational and cognitive dimensions seemed to be closely linked to each other, and time and a shared background in terms of education, national background, linguistic background, etc., seemed to play an important role in the generation of both of these types of social capital. By contrast, the linkage to structural social capital – the number, density etc. of interaction ties across unit boundaries – was more difficult to pin down. The findings do not contradict the rationale that interaction over time gives rise to relational social capital, but it seems that especially in inflamed interunit relationships, interaction may be perceived as a threatening form of monitoring, intended to limit the monitored unit’s independence. Under such circumstances, interaction may in the short term have a negative impact on relational social capital.
Essay 2: The impact of natural languages on internal interaction in multinational corporations. A case study
Author: Wilhelm Barner-Rasmussen
Data: Based on the Walcor case

If MNCs are seen as globally dispersed networks of differentiated, more or less integrated individual units, the coordination of which necessitates frequent interaction across unit boundaries, managing such firms by definition nearly always also involves crossing linguistic boundaries. Essay 2 aims to increase the understanding of how natural languages impact internal interaction in MNCs both at the individual and organizational level. 'Internal interaction’ is here intended to be understood broadly, as an umbrella term covering all three dimensions of social capital. The essay thus illuminates links between natural language skills and structural, relational, and cognitive social capital in MNCs. It also provides an initial exploration of how language and social capital may impact interunit knowledge sharing in MNCs. Figure 4.2 below depicts the positioning of the essay within the theoretical framework of the thesis.

Figure 4.2: Elements of theoretical framework discussed in Essay 2

The findings of the case study are interpreted through a framework based on the 'direct impact’ and 'perceptual filtration’ effects of natural languages in MNCs, as elaborated in Chapter 2. The direct impact pertains to the extent to which skills in a particular language give those who speak it access to other people and their information. It also includes the concept of collective proportional facility, i.e. individual members’ skills in the shared language of a group. Low levels of collective proportional facility may impair group functioning. The impact of perceptual
filtration, in turn, seems to occur through a psychological sense of remoteness and disconnectedness based on natural language skills. This can lead to individuals, units, and even whole regions being filtered out of each other’s awareness.

The findings suggest that interunit communication tends to take place in the language of greatest collective proportional facility. This tendency, which explains the emergence of the language-based ‘shadow structures’ described by Marschan-Piekkari et al. (1999a), is suggested to follow a strategy of ‘coping’ – a pragmatic strategy rooted in an effort to get one’s daily job done with as little hassle as possible. In highly politicized intra-organizational situations, however, the ‘coping’ strategy can be replaced by a strategy of ‘politicking’, and language come to be used as a sabotage tool.

At the level of individual actors, the case illustrates the importance of ‘language mediators’ – individuals whose language skills enable them to act as mediators across a language barrier separating e.g. two units – for knowledge sharing under conditions of low proportional facility, and supports previous suggestions that good language skills can lead to increased power for language mediators. However, the case also shows that language skills can bring these individuals more work, heavier responsibilities, and less freedom of action. Further, while the hierarchical power possessed by top managers may elevate the language they speak between themselves into a shadow structure of influence, top managers are as susceptible as everybody else to ‘language blindness’ – an effect possibly reinforced by the peer group-based impression that everyone is fluent in English. When coupled with indications that accents, intonations etc. may both lead to practical misunderstandings and be used as a basis for defining in- and outgroups, this aspect of the findings suggests language may constitute an important barrier to balanced assessment of the contributions individuals and units can bring to the MNC.

From a social capital perspective, the findings of the case suggest the impact of natural language skills on interunit relationships in MNCs can be described as follows. The direct impact of language influences levels of structural social capital (‘enables interaction, creates networks’) and relational social capital (contacts founded on language skills may turn into personal relationships; understanding each
other makes it easier to trust other units and individuals); perceptual filtration, meanwhile, influences levels of relational (personal relationships to others, trust of them etc. may never develop because they are ‘not seen’) and cognitive social capital (‘influences perception, filters out awareness’ of shared representations, interpretations, visions etc.). Both mechanisms may function both ways, either raising or lowering levels of social capital.

In theory, these findings suggest that an extensively shared corporate language could facilitate knowledge sharing in MNCs by facilitating interunit communication and integration. However, the applicability of this solution is compromised both by considerable practical difficulties and by social psychologic arguments suggesting even small variations in e.g. accent suffice to demarcate in- and outgroups in politicized situations.
Essay 3: The impact of language and interaction ties on interunit social capital in the MNC
Authors: Wilhelm Barner-Rasmussen and Ingmar Björkman
Data: 307 interunit relationships between Finnish and Chinese MNC subsidiaries and their sister units and HQs

The focus of this essay is on factors contributing to the accumulation of relational and cognitive social capital between MNC units. Received wisdom in the field of MNC studies emphasizes the importance of informal control and coordination mechanisms for normative integration of the MNC; this translates to the vocabulary of social capital as a belief that structural social capital is a driver of relational and cognitive social capital. Empirical evidence of this linkage remains limited, however, and recent research indicates that other factors, such as natural language skills (Marschan 1997, Marschan-Piekkari et al. 1999a, 1999b), may also influence the accumulation of interunit social capital. The model tested in this paper therefore examines the impact of interunit interaction ties – a proxy for structural social capital – and language fluency on a) trust and trustworthiness and b) shared vision, proxies for, respectively, relational and cognitive social capital. The empirical base of the essay is formed by 129 Finnish and Chinese subsidiaries’ relationships to 307 other units within their parent MNCs. The positioning of this essay within the theoretical framework of the thesis is depicted in Figure 4.3 below.

Figure 4.3: Elements of theoretical framework discussed in Essay 3

To the best of our knowledge, this is the first large-scale examination of the consequences of language in a MNC context. It is therefore noteworthy that our results concerning the influence of language fluency on both shared vision and
perceived trustworthiness are consistently positive and highly significant. Language fluency seems to be a very strong determinant of both relational and cognitive social capital. This indicates that fluency in the language of communication is much more important for interunit relationships than has previously been acknowledged in the MNC literature.

As for interunit interaction ties, while they are found to be statistically related to shared vision, there is only a relatively weak indication that they serve as a determinant of perceived trustworthiness. In some contrast to earlier research (usually theoretical or case study-based), this indicates that the existence of interaction ties alone is not sufficient to result in high levels of relational and cognitive social capital between MNC subsidiaries. Repeated interaction does seem to promote the accumulation of cognitive social capital, but does not significantly affect the level of relational social capital in the interunit relationship.

Interestingly, these results are somewhat contradictory to those obtained by Tsai and Ghoshal (1998), who did find a strong positive relationship between social interaction ties and trust and trustworthiness, but not between interaction ties and shared vision. This is likely partly due to methodological and measurement differences. For example, we use a large multifirm sample drawn from two widely different cultural contexts, whereas Tsai and Ghoshal’s study was based on data from only one MNC. There are also differences in the measurements used. Thus, more research is clearly needed to establish the detail-level connections between the three types of social capital in the MNC context. However, and perhaps more importantly, the results of both the present study and that of Tsai and Ghoshal (1998) support the notion that levels of cognitive and relational social capital in MNCs are not determined only by structural linkages. This clearly implies that future work must question the accuracy of the widely held – but seldom empirically tested – view within MNC studies that practices like short-term visits, participation in joint training programs and meetings, and membership in cross-unit teams, task forces and committees are the key determinants of normative integration.
Essay 4: Knowledge inflows into MNC subsidiaries: A social capital perspective
Authors: Wilhelm Barner-Rasmussen, Ingmar Björkman and Li Li
Data: 298 interunit relationships between Finnish and Chinese MNC subsidiaries and their sister units and HQs

International business research has historically tended to focus on concrete mechanisms of normative integration, such as employee transfers, international training programs and project teams, and scheduled meetings of managers from different international locations (e.g., Martinez and Jarillo 1989, O'Donnell 2000). While it is undoubtedly important to explore how knowledge sharing is impacted by such mechanisms, which broadly correspond to the structural dimension of social capital (Tsai and Ghoshal 1998), recent research suggests that relational and cognitive social capital (Nahapiet and Ghoshal 1998, Tsai and Ghoshal 1998) may also influence interunit knowledge sharing.

The overarching aim of this essay is to examine the influence of the structural, relational, and cognitive dimensions of social capital on inward knowledge sharing in dyads of foreign-owned subsidiaries, situated in different cultural contexts, and their sister and parent units. In addition, the impact of communication (Ghoshal et al. 1994) on knowledge sharing is also investigated. The study thus contributes to the MNC literature by providing a comprehensive picture of the antecedents of knowledge sharing at the dyad level. The empirical base of this picture is formed by data on 298 dyadic relationships between foreign-owned subsidiaries in Finland and China, and their intra-MNC sister and parent units. 164 of these dyads have a Finnish counterpart and 134 a Chinese one. The positioning of this study within the theoretical framework of the thesis is depicted in Figure 4.4 below.
In the statistical analysis, shared vision – a proxy for the cognitive dimension of social capital – emerges as the most significant independent variable, closely followed by interaction (a proxy for the structural dimension of social capital). Relational social capital, by contrast, is found not to be significantly related to knowledge sharing. Mediated communication frequency is found to be significantly related to knowledge sharing, but the effect of this variable is rather weak. Relationship type and relationship longevity, included as control variables, exhibit significant positive relationships to knowledge sharing.

Despite minor differences, for example that the weakly significant positive effect of mediated communication evident in the Chinese sample is absent from the Finnish one, separate analyses of the Finnish and Chinese samples support the picture emerging from these results. Cognitive and structural social capital remain the most consistently and strongly significant independent variables, relationship type and relationship longevity again emerge as significant control variables.

These findings, buttressed as they are by their consistency across two very different cultural and socioeconomic contexts, indicate support for the emphasis in previous research on structural social capital for knowledge sharing, but also underline that ‘soft’ factors – here in the form of cognitive social capital – indeed do impact upon subsidiaries’ willingness to accept knowledge from other parts of their parent MNCs’ networks. As for the somewhat counterintuitive non-finding concerning the relational dimension of social capital, it may indicate that this dimension of social capital is more important for senders than for receivers of knowledge: receivers seem to be able to accept inflows of knowledge without trusting the sender.
Compared with the study of Tsai and Ghoshal (1998), these results support their general conclusion that social capital levels positively influence the interunit exchange of resources. There are differences between the two studies with regard to the impact of the individual dimensions of social capital, but we suggest they may at least partly be due to the methodological differences already mentioned in connection with Essay 3: much work remains to be done in disentangling the detail-level interrelations between the dimensions of social capital, but at a general level, both studies provide support for the social capital framework.
Essay 5: Determinants of the feedback-seeking behavior of subsidiary top managers in multinational corporations

Author: Wilhelm Barner-Rasmussen

Data: 89 Finnish MNC subsidiaries’ relations to their parent MNCs

Feedback seeking is necessary for self-regulatory behavior (Ashford, 1986; Gupta et al., 1999). This also holds true for relationships inside the differentiated network MNC, a type of organization which entails delegating many tasks traditionally handled by the HQ to the subsidiary level (e.g. Hedlund, 1986; Bartlett and Ghoshal, 1989; Gupta and Govindarajan, 1991). It is a key aspect of the differentiated network paradigm that ‘...thinking is not only restricted to one exclusive center, but goes on in the whole enterprise’ (Hedlund 1986: 26; italics in original). It is therefore central that subsidiary units seek feedback on the goals and strategies of the whole MNC and how they are doing in complying with these, and here the feedback seeking behavior of subsidiary top managers is seen to play an especially important role (Gupta et al. 1999).

Treating feedback seeking and receiving as a form of knowledge sharing, this essay explores determinants of the feedback seeking behavior of subsidiary top managers in MNCs. Previous research (Gupta et al. 1999) has outlined a linkage between subsidiary top managers’ feedback seeking behavior and intra-MNC social interaction ties; the main contribution of this essay is that interaction ties are complemented with several other potential determinants which so far have not been included in empirical work on feedback seeking behavior in MNCs. Among these, the relational and cognitive dimensions of social capital, as well as economic incentives, stand out as particularly important. The positioning of this study within the theoretical framework of the thesis is depicted in Figure 4.5 below.
The results of the statistical analysis point toward the existence of a significant positive relationship between the relational dimension of social capital and both types of feedback seeking behavior. They also indicate that cognitive social capital to some extent facilitates feedback seeking through monitoring, but not feedback seeking through inquiry. Similarly, the structural dimension of social capital is found to be positively related to feedback seeking through monitoring, but not to feedback seeking through inquiry.

Feedback seeking through monitoring is thus found to be positively related to all three dimensions of social capital. Given that feedback seeking is an activity which by definition indicates some kind of (at least perceived) vulnerability on behalf of the feedback seeker, it is logical that the relational dimension should emerge as the statistically most significant. This dimension is also the only dimension of social capital which exhibits a statistically significant relationship to feedback seeking through inquiry, a finding which seems intuitively correct given the potential face loss costs associated with this mode of feedback seeking.

The results further indicate strong links between how bonuses are determined and subsidiary top managers’ propensity to seek feedback. Both types of feedback seeking behavior correlated significantly with the extent to which respondents’ bonuses were based on the performance of the subsidiaries they led. Feedback seeking through inquiry also exhibited a significant positive relationship to basing bonuses on regional performance, but no significant relationship to MNC performance; for feedback seeking through monitoring, the opposite was true.
In conclusion, the results support the argument that a social capital perspective can contribute significantly to our understanding of knowledge sharing – in this case exemplified by feedback seeking – within MNCs. But at the same time, the impact of compensation variables on feedback-seeking behavior remind us that complex phenomena usually have equally complex antecedents. This is relevant for future research on both the specific area of feedback seeking behavior and on intra-MNC knowledge sharing generally.
5 DISCUSSION AND IMPLICATIONS

5.1 Main findings

When discussing the findings it is important to note that the findings of the individual essays are not directly comparable. Essays 1 and 2 are qualitative single-case studies, while Essays 3, 4, and 5, are based on large-sample statistical analysis. Further, the latter are not directly comparable internally, since Essay 5 is based only on the Finnish subsample and employs a different level of analysis in focusing on subsidiary general managers and their personal motivations to seek feedback. By contrast, Essays 3 and 4 focus on unit-level relationships. It is nevertheless informative to attempt to synthesize the results.

The findings of Essay 1 indicate that the identity and identification dimension of interunit relational social capital is fundamentally based on shared history in terms of backgrounds, functions, and simple coexistence over prolonged periods of time. Therefore, this type of social capital appears difficult to create by managerial fiat, and it is also easily damaged by organizational change. This highlights its inherent conservative quality and underlines that when identity change is needed, the strength of already existing identities and the relative magnitude of the losses associated with giving these up may have a severely constricting effect. Also, this conservativeness is not wholly unproblematic from a knowledge sharing viewpoint, since it may exclude more recently added units and individuals from important information.

Further, relationships characterized by high levels of relational social capital also seem to be high on cognitive social capital. The linkage seems straightforward in the sense that shared pasts and backgrounds appear to play an important role in the generation of both dimensions. By contrast, while the findings do not contradict the rationale that interaction over time gives rise to relational social capital, it seems that in already inflamed interunit relationships the effect may be the opposite, at least in the short term.
In Essay 2, language skills seem to directly influence structural social capital by enabling or hindering interaction and network creation, and relational social capital by enabling or hindering the development of trust and personal relationships. In a similar but more subtle manner, the perceptual filtration impact of natural language skills seems to influence relational and cognitive social capital. Personal relationships and trust blossom across certain unit boundaries, but never emerge across others, as units and individuals choose their interaction partners based on language skills; and awareness of shared representations, interpretations, visions, etc. is emphasized or filtered out with varying levels of language fluency. In short, the findings suggest natural language skills impact all three dimensions of social capital.

A graphic synthesis of the findings of Essays 1 and 2 is presented in Figure 5.1.1 below.

Figure 5.1.1. Graphical synthesis of findings of Essays 1 and 2

Essay 1: Relational social capital is furthered by shared backgrounds and thus easily damaged by restructuring.

Essay 2: Language may influence the accumulation of social capital both directly and through perceptual filtration.
As for the quantitative essays, the findings of Essay 3 – where language fluency and the structural dimension of social capital are treated as drivers of relational and cognitive social capital – indicate that perceived language fluency is indeed a strong determinant of both the relational and cognitive dimensions of social capital. While the hypothesized impact of the structural dimension on the cognitive dimension was supported by the data, there was only a weak indication that it determined the relational dimension. In other words, language fluency emerged as a more significant driver of relational and cognitive social capital than did structural social capital. It is to be noted, however, that in comparison with Essay 2, the independent variable pertaining to language in Essay 3 only measures one specific dimension of language in interunit relationships, namely perceived fluency.

In Essay 4, the most interesting finding is the highly significant positive relationship between levels of cognitive social capital and inward knowledge sharing into the focal subsidiaries. As expected, structural social capital levels and the frequency of interunit mediated communication also emerge as significantly related to both types of knowledge sharing; however the effect of these variables is weaker. Another notable result is that the independent variable measuring relational social capital is not significantly related to knowledge sharing. This is interesting in the light of the other findings presented in this thesis, especially in Essay 5 where relational social capital is found to be a key antecedent of managerial feedback seeking. One explanation may be that the importance of trust in accepting knowledge inflows from other units is limited due to limited vulnerability; trust may reasonably be thought to be more of a concern for senders than for receivers of knowledge, since senders may imperil their unique position within the MNC by distributing their knowledge. Another possible explanation is that the antecedents of knowledge sharing vary across levels of analysis: Essays 3-4 concentrate on the unit level, whereas Essay 5 focuses on the individual level.
A graphical synthesis of the findings of Essays 3 and 4 is presented in Figure 5.1.2 below. The asterisks indicate the significance levels of the variables in the appended regression analyses (***/*=p<0.001, ***=p<0.01, *=p<0.05, +=p<0.10).

**Figure 5.1.2. Synthesis of Essays 3 and 4**

Finally, Essay 5 demonstrates a significant positive relationship between the relational dimension of social capital and feedback seeking through both monitoring and inquiry, an interesting finding for two reasons. Firstly, compensation excepted, relational social capital is the only independent variable which emerges as significantly correlated with both types of feedback seeking behavior. Secondly, given that the findings of Essay 4 did not support the hypothesized significant relationship between relational social capital and knowledge sharing at the unit level, this indicates that the antecedents of knowledge sharing vary across levels of analysis. It would of course not be surprising if the sharing of individual-focused feedback would demand higher levels of relational social capital than, say, the sharing and adoption of functional know-how.

In Essay 5, cognitive and structural social capital were also both found to facilitate feedback seeking through monitoring to some extent, but did not impact feedback
seeking through inquiry. Both findings are logical: interpreting the relatively transparent feedback usually received as a result of direct inquiry should not demand very high levels of cognitive social capital (‘shared vision’ in Tsai and Ghoshal’s (1998) terminology), and structural social capital (interaction) is often most necessary for feedback seeking through monitoring to take place at all. These findings are synthesized in Figure 5.1.3 below. The asterisks indicate the significance levels of the variables in the relevant regression analyses (**=p<0.01, *=p<0.05, +=p<0.10).

The results finally indicate strong links between how bonuses are determined and subsidiary top managers’ propensity to seek feedback, underlining the multiple dimensions of the issue.

**Figure 5.1.3. Synthesis of Essay 5**

Essay 5: Relational social capital emerges as determinant of both types of feedback seeking behavior; compensation also relevant.

---

### 5.2 Discussion

The aim of this thesis was to explore knowledge sharing in multinational corporations, with a particular focus on the role of language, identity, and feedback seeking behavior, from a social capital perspective. The findings indicate that language impacts all three dimensions of social capital and that identity – an aspect of relational social capital – stems from shared histories and backgrounds. Finally, the findings on
the sharing of knowledge and feedback support the idea that a balanced view of interunit knowledge sharing in MNCs must include also other factors than structural ones: relational social capital is the most significant determinant of of individual managers’ feedback seeking, cognitive social capital the most significant determinant of unit-level knowledge sharing. The findings thus support the central argument I have presented for examining interunit knowledge sharing from a social capital perspective, namely that structural social capital alone does not provide a complete picture of knowledge sharing. While I do naturally not claim to have fully explained interunit knowledge sharing by explicitly considering the relational and cognitive dimensions in this thesis, I argue that they do complement our understanding of the phenomenon in a valuable way.

This discussion can be summarized in the following two points:

- *Natural language skills and shared identity promote the accumulation of interunit social capital in MNCs.*

- *High levels of interunit social capital promote interunit knowledge sharing in MNCs.*

It is important to remember that these two points only represent a highly stylized summary which obscures a large amount of detail-level variation, ignores numerous barriers at each stage of the process, and leaves out several evidently relevant factors. As an example, we may note the strong impact of monetary incentives on feedback seeking behavior.

While thus providing an arguably more complete picture of interunit knowledge sharing in MNCs than has been available before, the present thesis has also contributed to the research on MNCs in other ways. It has answered recent calls for more research on the behavior of individuals in MNCs (Bartlett and Ghoshal 1995a), especially key managers (Gupta et al. 1999). This contribution includes the possibly most complete examination of MNC subsidiary top managers’ feedback seeking behavior presented to date. The research presented above has also contributed to
alleviating the general lack of qualitative research on and in MNCs. Finally, it has
provided evidence of the importance of language-related issues in the multilingual
contexts MNCs usually are, thereby answering the call of Ghoshal and Westney
(1993) for MNC researchers to concentrate on issues specific to MNCs.

5.3 Implications

The findings of this work indicate that to the extent that high levels of interunit social
capital is considered desirable – which they apparently should be, if interunit
knowledge sharing is a goal – MNCs should take the issue of language training very
seriously. But the findings may also be interpreted as indicating an intimate linkage
between natural language skills and developing an understanding for the cultural and
social context of the language in question, which in turn presumably could lead to
higher levels of social capital in relations where that language is used. This brings to
mind Hedlund’s (1986) far-sighted observation that managers in differentiated
network MNCs (‘heterarchies’ in his terminology) should ideally be both multilingual
and multicultural.

The findings further suggest very specific arguments for why the current vogue for
corporate restructurings, mergers and acquisitions may be counter-productive at least
in the short run, something which has long been suggested by research on the success
rates of such arrangements. Namely, they risk destroying interunit social capital and
thereby the opportunities for interunit knowledge sharing, the MNC’s reason for
being.

It is acknowledged that from a practitioner viewpoint, these implications paint a rather
bleak picture of the possibilities to promote knowledge sharing in MNCs. If interunit
knowledge sharing demands harmonious interunit relationships with a high degree of
language fluency and long shared histories, it would seem that managers are relatively
powerless to instigate it ”on demand”, especially in the wake of the extensive
restructurings which often are undertaken precisely in order to exploit interunit
synergies. This powerlessness is further emphasized by the findings of Essay 1, which
underline that even MNC top managers have much less power over organizational
identity constructions than the differentiated network paradigm seems to suggest. Identity, instead of being a tool which management can employ and dispose of at will, may in effect trap organizational members at all hierarchical levels in webs of collective constructions of 'who we are', which then can be modified only with the greatest difficulty.

The severity of these conclusions is naturally somewhat moderated by the indications that compensation policies can have a positive impact on knowledge sharing, and that the sharing of different types of knowledge (here exemplified by individual-focused versus unit-level) have at least partly different drivers. It is perhaps also worth noting that we have here been concerned only with knowledge sharing between units which belong to the same parent MNC; successful knowledge sharing in other types of relationships such as strategic alliances are likely less dependent on high social capital levels, as suggested by e.g. Simonin’s (1999) study where knowledge tacitness emerged as the most significant determinant of the transferability of marketing know-how. But still, the arguments presented in this thesis amount to a defense of a long-term view of MNC management, one based on what might be termed "sustainable development" in terms of careful recruiting (where language competencies should be accorded a much more important role than now), careful tending of interunit relationships and shared identities, and avoidance of radical organizational restructuring.

To what extent these propositions are realistic in today’s competitive environment is of course a different matter. It also remains open to question whether these essentially status quo-preserving, evolutionarily oriented recommendations may in the long term have a negative impact on MNCs’ ability to generate new knowledge, as perhaps suggested by March’s (1999: 114) argument that

'adaptive processes, by refining exploitation more rapidly than exploration, are likely to become effective in the short run but self-destructive in the long run.'
5.4 Suggestions for further research

Given that the relevance of the arguments presented above is fundamentally based on the assumption that interunit knowledge sharing will result in increased MNC competitiveness, it is naturally an omission that the thesis does not extend to examining the impact of knowledge sharing on MNC or unit performance in the form of increased innovation capacity, profitability etc. While there are sound reasons for this, including the well-known difficulties of measuring performance, the limitations of the available data, and practical restrictions on the number of issues which may be discussed within the scope of one thesis, this nevertheless represents a logical next step in research on interunit social capital.

Further research on knowledge sharing from a social capital perspective should also be directed at a second issue highlighted by the findings presented in this work, namely the dimensions of social capital and how they interrelate. Above, I have followed previous research in classifying social capital into three dimensions – structural, relational, and cognitive. However, this classification is not the only possible way of grouping the vast previous research on the topic, and future research may well produce classifications with more explanatory power. Also, while the findings presented here are broadly congruent with the only previous empirical application of this classification to an MNC context – that of Tsai and Ghoshal (1998) – in providing general support for the use of a social capital approach, the detail-level differences between their study and the present findings remain open to further exploration. This particularly concerns a) the linkages from the structural dimension to the relational and cognitive dimensions, and b) the role of the relational dimension in knowledge sharing.

Another important avenue for further research, as indicated already in the limitations, would be to examine language in a broader sense than has been done above. Language can be examined from a large number of perspectives, and more research on such issues would seem especially pertinent given the results presented above. In addition, there remain a large number of "loose threads" among the findings of the individual essays. For example, how social capital and monetary compensation interrelate as drivers of managerial feedback seeking behavior is an important area where little
research has yet been done. Another area with considerable potential would seem to be in the interface between the organizational identity literature and the MNC literature. Finally, although this thesis has taken some steps toward plugging the research gaps on the role of individual managers and the lack of qualitative research on MNCs, it is clear that much remains to be done in these respects, too.
REFERENCES


International Business Academy, Maastricht, The Netherlands, Dec. 10\textsuperscript{th}-12\textsuperscript{th}, 2000.


APPENDICES

Essay 1  page 59

Essay 2  page 81

Essay 3  page 97
Barner-Rasmussen Wilhelm and Ingmar Björkman: 'The impact of language and interaction ties on interunit social capital in the MNC’. Submitted to *Journal of International Business Studies*.

Essay 4  page 119
Barner-Rasmussen Wilhelm, Ingmar Björkman and Li Li: 'Knowledge inflows into MNC subsidiaries: A social capital perspective’. Submitted to *Strategic Management Journal*.

Essay 5  page 145
EKONOMI OCH SAMHÄLLE

Skrifter utgivna vid Svenska handelshögskolan
Publications of the Swedish School of Economics and Business Administration


