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THE INTERPLAY OF EXPATRIATES’ PSYCHOLOGICAL AND SOCIAL CAPITAL FOR KNOWLEDGE TRANSFER

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Received: June 27, 2017
Accepted: November 11, 2017

ABSTRACT: Expatriate managers are recognised as fundamentally important stakeholders in the process of transferring knowledge between headquarters and subsidiaries in multinational corporations (MNCs). This paper’s goal is to determine how expatriates’ personal capital (i.e. positive psychological capital and social capital) facilitates conventional and reverse knowledge transfer where there are language, cultural and geographical differences between headquarters and subsidiaries. A qualitative multiple case study approach was used to analyse the data, obtained by in-depth interviews with expatriates and managers from three MNCs. The findings suggest that psychological capital supports knowledge transfers in MNCs in two ways: first, directly and, second, through the creation of expatriates’ social capital. This study shows that positive psychological capital dimensions of expatriates (efficacy, resilience and optimism) represent individual level antecedents of knowledge transfer between HQ and subsidiaries, thereby contributing to the literature on expatriates’ boundary spanning role in MNCs. The results also indicate that psychological capital dimensions support creation of structural and relational dimensions of social capital, further enhancing knowledge transfer in MNCs, thereby advancing the literature on the role of expatriates’ social capital in knowledge flows. By observing the relationships in different subsidiary types, this study also provides valuable implications for international knowledge management.

Keywords: knowledge transfer, expatriates, psychological capital, social capital, multinational companies
JEL: M1, M12
DOI: 10.15458/85451.65

1 INTRODUCTION

Knowledge transfer is the primary source of competitive advantage in MNCs (Gupta & Govindarajan, 2000; Kogut & Zander, 2003; Michailova & Mustaffa, 2012) where it is also particularly challenging since headquarters (HQ) and subsidiaries usually operate in dissimilar cultural contexts (Ambos & Ambos, 2009; Mäkelä et al., 2007). Therefore, the international knowledge management literature extensively investigates the conditions

1 Acknowledgments: The authors would like to thank Matevž Rašković, the editor Matej Černe and two anonymous reviewers for their valuable comments on the earlier versions of the manuscript.
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enabling the transfer of knowledge within MNCs (Michailova & Mustaffa, 2012; Yang et al., 2008). The research has shifted from the firm level to highlighting the role of individuals at the subsidiary level (Israilidis et al., 2015), especially expatriate managers (‘expatriates’) (Chang et al., 2012; Harzing et al., 2015). As boundary spanners, expatriates are recognised for ensuring continuous knowledge flows and minimising knowledge losses (Schotter & Beamish, 2011; Tippmann et al., 2013) by facilitating the connections for knowledge transfer between HQ and subsidiaries across a range of geographic, organisational and other contexts (Hocking et al., 2007). Expatriates with close relationships to HQ are the main facilitators and coordinators of knowledge transfer processes (Ambos et al., 2006; Miao et al., 2011; Mudambi et al., 2014; Rabbiosi, 2011).

The literature establishes that knowledge transfer decisions taken by expatriates are strongly influenced by their personal relationships (Mudambi et al., 2014) and their social capital (Mäkelä et al., 2012), conceptualised as a set of social resources embedded in relationships (Tsai & Ghoshal, 1998). But the decision to share knowledge is also very personal, thus depending on the personal characteristics of individuals (S. Wang & Noe, 2010). Surprisingly little is known about individual characteristics that tap into the personality of an expatriate. The few existing studies in this area investigated how willingness (Minbaeva & Michailova, 2004) and emotional intelligence (Magnini, 2008) impact knowledge sharing. Yet not much is known about how psychological capital affects knowledge transfer, although it has been theorised to be important for successful leadership in MNCs and for overcoming cross-cultural barriers (Youssef-Morgan & Luthans, 2013) as well as physical and language distance (Mäkelä et al., 2012; Youssef-Morgan & Luthans, 2013; Youssef & Luthans, 2012). This individual factor is important because, together with social and intellectual/human capital, it constitutes the intangible resources employees accumulate to advance their careers (Direnzo et al., 2015), which is of particular importance in a global environment (Javidan & Teagarden, 2011). Further, leaders with high levels of positive psychological capital have also been found to be better at communicating across cultures and building effective leader–follower relationships (Story et al., 2013). However, this indicates that positive individual characteristics might be enhancing the relationship-building capacity of expatriates, helping them build up their social capital, a necessary condition for successful knowledge transfer in MNCs (Mäkelä et al., 2012). Thus, there might be an interplay of the social and psychological capital dimensions, which has so far not been addressed in the research.

The purpose of the study is to explore the role played by expatriates’ psychological capital and its relationship to social capital in the process of knowledge transfer (KT) and reverse knowledge transfer (RKT) between HQ and subsidiaries by adopting an inductive, qualitative and multiple case study approach that has been used extensively in previous studies on KT in MNCs (Rugman & Verbeke, 2001). The study is situated in China where three Slovenian manufacturing companies have established subsidiaries. In this context, it is particularly challenging to determine knowledge transfer due to several barriers: the diversity of the cultural contexts, the language barriers, and the physical distance between HQ and the subsidiaries (Huang et al., 2008; Michailova & Hutchings, 2006).
This study intends to make various advances regarding the existing theory on the role of expatriates in KT and RKT between HQ and subsidiaries, an important area of research in the international management literature (Kostova et al., 2016). First, it aims to contribute to the literature on the role of expatriates’ boundary spanning (K. L. Johnson & Duxbury, 2010; Mäkelä, 2007; Reiche et al., 2009) by clarifying the relationship between three positive individual characteristics and expatriates’ knowledge flows between HQ and different types of subsidiaries. Second, it intends to add to the global leadership literature, which has established the influence of an expatriate’s psychological capital on his/her cross-cultural adjustment and competencies (Vogelgesang et al., 2014; Youssef & Luthans, 2012) by demonstrating its importance also for KT and RKT, thereby helping us better understand the individual factors impacting expatriates’ performance. Third, by addressing the role of the various dimensions of psychological capital as antecedents of social capital, this study also aims to complement the literature on expatriates’ social capital, which shows the positive impact of the high social capital available through strong and trusting KT relationships in MNCs (Mäkelä, 2007; Nahapet & Ghoshal, 1998). By revealing the impact certain dimensions of psychological capital have on building social capital, thereby facilitating actual knowledge flows, the study provides valuable implications for international knowledge management and talent management.

2 THEORETICAL BACKGROUND

2.1 Knowledge transfer in MNCs

Multinational corporations (MNCs) have been viewed as knowledge-creating, knowledge-diffusing and knowledge-integrating entities (Ambos et al., 2006; Fey & Furu, 2008) for which knowledge transfer represents the primary source of their competitive advantage (Gupta & Govindarajan, 2000; Kogut & Zander, 2003; Michailova & Mustaffa, 2012). It is conceptualised as the process through which actors in an organisation receive, exchange knowledge and are impacted by this experience (van Wijk et al., 2008). This is quite challenging in MNCs where HQ and subsidiaries operate in dissimilar cultural contexts (Ambos & Ambos, 2009; Mäkelä et al., 2007).

MNCs can benefit from knowledge transfer if they can, firstly, successfully transfer knowledge from HQ to its subsidiaries, referred to as KT (Monteiro et al., 2008; Noorderhaven & Harzing, 2009) and, secondly, integrate knowledge and best practices learned in subsidiaries into organisation-wide solutions, referred to as RKT (Ambos et al., 2006; Miao et al., 2011). KT assures the transfer of firm-specific advantages, the alignment of goals, strategies and values (Rugman & Verbeke, 2001), whereas RKT may help improve business processes in HQ and other subsidiaries by rapidly disseminating innovative solutions, referred to as subsidiary-specific advantage, throughout the global network as well as contribute to a re-evaluation of the global strategy (Ambos et al., 2006; Rugman & Verbeke, 2001). Regarding their strategic role, Bartlett and Ghoshal (1986) distinguish four types of subsidiaries: a Strategic Leader has high competencies in an important market, therefore low KT and high RKT; a Contributor has high competencies...
but in an unimportant market, therefore high KT and high RKT; an Implementer has low competencies in an unimportant market, therefore high KT and low RKT; and a Black Hole has low competencies in an important market, and is characterised by low KT and low RKT.

Organisations use different channels, tools, technologies or media to transfer knowledge (Rasula et al., 2012), whereas knowledge is usually best shared directly by individuals (Davenport & Prusak, 1998). Even in MNCs, where direct, face-to-face communication is difficult to establish across geographically dispersed locations, it is still considered the crucial way to transfer knowledge (Argote & Ingram, 2008).

The literature addresses various factors influencing KT and RKT (Michailova & Mustaffa, 2012; S. Wang & Noe, 2010): organisational (organisational structure, rewards system, management support etc.), team-related (team composition and cohesion, social networks etc.), cultural (collectivism and other cultural contexts) and individual (personality). As these factors can both stimulate or impede knowledge sharing, each can present a distinct enabler or barrier to knowledge sharing. Two groups of barriers have attracted considerable attention: individual and organisational (Riege, 2005; Sharma et al., 2012). In addition, intercultural barriers emerge in MNCs due to cultural differences, geographical distance and language differences (Huang et al., 2008; Michailova & Hutchings, 2006). Geographical dispersion leads to cultural and linguistic barriers, resulting in communication difficulties and difficulties in establishing trust in relationships (Mäkelä et al., 2012). Differences are acknowledged in communication styles, demographic differences, differences in skills, values and language (Lauring & Selmer, 2011). Differences in social categories (race, religious belief), language differences (level of knowledge, fluency, accents), differences in knowledge and cognitive decision-making schemes, differences in national cultures (values, norms, implicit rules regarding knowledge sharing) can all limit the interaction and thereby knowledge sharing (Chow et al., 2000).

2.2 The role of expatriates’ personal capital

Expatriates with close relationships to HQ are the primary stakeholders for overcoming barriers to KT and RKT in the first ten years of a subsidiary’s formation as transfer facilitators or boundary spanners and also as knowledge carriers (Fang et al., 2010). They enable the transfer of tacit knowledge over geographical boundaries (Argote & Ingram, 2008). They provide access to knowledge and communicate it through network channels (Hocking et al., 2007). Further, they are responsible for so-called knowledge translation whereby knowledge is modified while being transferred from one cultural and institutional context to another (Choi & Johanson, 2012).

In addition, scholars have identified expatriates’ personal resources that are critical for KT and RKT. Social capital as reflected in the number of work group contacts and the proportion of trusted ties within the host unit positively impacts the continued transfer of and access to host-unit knowledge (Reiche, 2012). Existing evidence shows that
managers’ social capital (Nahapiet & Ghoshal, 1998; Tsai & Ghoshal, 1998) impacts firm performance (Westlund & Adam, 2010) and facilitates the transfer of knowledge (Mäkelä et al., 2012; Reiche, 2012; J. Yang et al., 2011). Social capital enables expatriates to perform a boundary spanning role between organisational units to support knowledge transfer (Barner-Rasmussen et al., 2010).

The literature recognises three dimensions of individual social capital: structural, relational and cognitive. The structural dimension comprises the number of expatriates’ relationships in terms of with whom they are connected and the intensity and frequency of their communication flows, reflecting the depth and quality of their relationships. It refers to the ability to develop long-term, lasting relationships with host-country nationals (Barner-Rasmussen et al., 2010; Mendenhall & Oddou, 1985). Social interaction ties, reciprocity and identification were found to increase the quantity of individuals’ knowledge transfer (Chiu et al., 2006). The relational dimension involves interpersonal trust as behavioural assets and obligations build up in their relationships (Adlesic & Slavec, 2012; Mäkelä et al., 2012). Trust is based on the rule of reciprocity and encompasses expectations that employees will fulfil their working duties and provide help when needed (Cook & Wall, 1980). People in trusting relationships are more inclined to interact with others (Barner-Rasmussen et al., 2010). Previously, social interaction and trust were found to significantly relate to the extent of inter-unit resource exchange (Tsai & Ghoshal, 1998). The cognitive dimension refers to the contextual, cultural and linguistic skills of expatriates (Barner-Rasmussen et al., 2010) that empower them to establish shared goals, codes of conduct, and systems of meaning (Mäkelä et al., 2012). It contains knowledge of values, norms and business conduct of foreign cultures, knowledge of foreign languages as well as the ability to connect and interact with others easily (Mendenhall & Oddou, 1985). Based on the extensive research presented above, expatriates’ social capital facilitates the transfer of knowledge within MNCs.

Apart from social capital, we posit that psychological capital may affect knowledge transfer in MNCs by enabling the proactive sharing of information, skills and competencies as it has been theorised to be important for successful leadership in MNCs (Youssef-Morgan & Luthans, 2013). Psychological capital comprises four personality traits – efficacy, hope, optimism and resilience – which positively impact job attitudes and on-the-job behaviour (Avey et al., 2011) as well as individual performance (Peterson et al., 2011). The argument for the relationship between psychological capital and knowledge transfer is developed on recent findings which highlight the importance of individual characteristics for the transfer of knowledge (S. Wang & Noe, 2010). It can be assumed that the different personality traits represented by psychological capital may be relevant to managers’ performance in international assignments since they are conducive of the individual’s cross-cultural adjustment (Peltokorpi & Froese, 2012). In particular, different personality traits of the individual can either facilitate or hinder the learning of cross-cultural competencies (J. P. Johnson et al., 2006), which are important for performing abroad.

Perceived self-efficacy reflects the beliefs of individuals about what they can do with what they (in terms of competencies) possess in different circumstances. People with strong beliefs in their skill set view difficult tasks as challenges rather than as threats
which need to be avoided (Bandura, 2003). Thus far, self-efficacy has not been linked with the process of knowledge transfer in cross-cultural relationships, although it was associated with cross-cultural adjustment (Harrison et al., 1996). Further, Early et al. (2006) suggested that an expatriate's self-efficacy should lead to improved effectiveness. In order for hopeful thinking to occur (i.e. the second dimension of psychological capital), two elements need to be present: first, the perceived ability to generate pathways to a goal and, second, the perceived determination to follow those pathways. While routes serve as a connection between the present time and an imagined future, agency is the motivational component, which involves affirming self-statements (Snyder, 2002). Optimistic people have positive expectations for the future and, when faced with challenges, such people tend to be persistent and confident (Scheier & Carver, 1992). In the wake of cross-cultural misunderstandings (which are likely to arise due to profound cultural, societal and historical differences), optimistic expatriates may expect good outcomes. Resilience is defined as “the capacity of the individual to effectively modulate and monitor an ever changing complex of desires and reality constraints” (Block & Kremen, 1996). There is considerable evidence that resilience, once believed to be a rare dispositional trait, is open to change and development (Bonanno, 2004; Masten & Reed, 2002). Resilient expatriates may have a staunch sense of reality. Due to cultural differences and challenges related to cultural adjustment, expatriate jobs are stressful and so resilience may help in alleviating stressful situations (Luthans et al., 2010) when transferring knowledge.

Recent studies have started to relate various individual's resources – psychological capital, social capital and intellectual/human capital (Hmieleski et al., 2015) – as constituents of an individual's global mindset, comprising the knowledge, cognitive and psychological attributes of expatriates (Javidan & Teagarden, 2011) and were found to advance the individual's career (Direnzo et al., 2015). A level of interdependence between these different forms of capital was also suggested by studies relating certain expatriates' personality traits (e.g. Big Five personality dimensions, agreeableness, hedonism, sensory processing sensitivity) with the network structure of their relationships and social capital (Andresen et al., 2017; Klein et al., 2004; Osman-Gani & Rockstuhl, 2008) in support of their adjustment and performance in overseas assignments. Specifically, positive individual characteristics were found to enable effective leader–follower relationships across cultures in support of leader–member exchange (Story et al., 2013). This suggests that positive individual characteristics might be enhancing the relationship-building capacity of expatriates, helping them accumulate social capital and thus further enable KT and RKT within MNCs.

With regard to the above reasoning, it is proposed that expatriates' positive psychological capital could play an important role in supporting knowledge flows in MNCs, similarly to social capital. Moreover, there might be an interplay of the social and psychological capital dimensions, which has not been addressed in the existing literature. The following research questions are thus posed:
RQ1: How does an expatriate's psychological capital facilitate KT and RKT in MNCs?
RQ2: How does the interplay of an expatriate's psychological capital and social capital facilitate KT and RKT in MNCs?
3 METHODOLOGY

3.1 Study design

As the present study is exploratory in nature, a qualitative approach was chosen (Yin, 1993) to capture the challenges of transferring knowledge across culturally dissimilar societies and assess the role of psychological and social capital in KT and RKT. This approach is appropriate for investigating novel contexts, providing insights into relationships, underlying mechanisms and ‘how things get done’ (Anteby et al., 2014). A multiple case study design was used to answer the research questions. This approach has been recommended (Rugman & Verbeke, 2001) and used extensively in the MNC knowledge transfer context (Fletcher & Prashantham, 2011; Mäkelä et al., 2007). Further, cross-case analysis contributes to the greater generalisability of research findings (Eisenhardt, 2014; Eisenhardt & Graebner, 2007).

3.2 Research setting and selection of the cases

Three Slovenian companies known for their successful internationalisation strategy with well-established subsidiaries in China (but not for more than ten years) were chosen as the focus of the study. The Slovenian-Chinese context was selected due to cultural, geographic and language differences between Slovenia and China, because KT is particularly difficult in conditions of great language, cultural and geographical barriers between HQ and subsidiaries (Lauring & Selmer, 2011; Mäkelä et al., 2012). Further, due to the guanxi culture, it is especially difficult for Slovenian expatriates to develop social ties (Tsang, 1998) since only a handful of Slovenian companies are already present in China, making this a unique setting to explore factors influencing knowledge flows in unfamiliar international settings. The selection of companies was made according to two criteria. First, the company should have at least a production plant in China, reflecting a richer transfer of knowledge compared to that of a representative office and, second, the subsidiary should be established for up to ten years, allowing for an expatriate’s positive impact on KT to take place (Fang et al., 2010). Eight Slovenian companies fitted both criteria. The selection of the cases was further guided by the Bartlett-Ghoshal (1986) typology of subsidiaries to capture the various types of subsidiaries and corresponding knowledge flows. Five companies were contacted. Three companies agreed to participate in the study, representing three different types of subsidiaries. The selected cases are two large and one medium-sized international company, operating in other countries as well, but with their largest foreign production facility in China (see Table 1 for background information on the companies). To assure anonymity, the companies are referred to as company A, company B and company C.
Table 1: Background information on the cases and profile of the interviewees

<table>
<thead>
<tr>
<th></th>
<th>Company A</th>
<th>Company B</th>
<th>Company C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Starters, alternators, electric drive and mechatronic systems</td>
<td>Serge protective devices</td>
<td>Electric motors</td>
</tr>
<tr>
<td>MNC type</td>
<td>International</td>
<td>International</td>
<td>International</td>
</tr>
<tr>
<td>No. of offshore production subsidiaries</td>
<td>4</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>No. of employees</td>
<td>2600</td>
<td>120</td>
<td>1025</td>
</tr>
<tr>
<td>Of these, those in China</td>
<td>250–260</td>
<td>20–40</td>
<td>100</td>
</tr>
<tr>
<td>No. of expatriates in China</td>
<td>5–6</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Subsidiary role in China (Bartlett&amp;Ghoshal, 1986)</td>
<td>Strategic Leader</td>
<td>Contributor</td>
<td>Implementer</td>
</tr>
<tr>
<td>Founding year of Chinese subsidiary</td>
<td>2005</td>
<td>2009</td>
<td>2006</td>
</tr>
<tr>
<td>Position of HQ manager</td>
<td>Global Operations Manager</td>
<td>IT &amp; Quality Manager</td>
<td>Head of Assembly Process Engineering</td>
</tr>
<tr>
<td>Position of expatriate in China</td>
<td>CEO</td>
<td>Sales manager</td>
<td>CEO</td>
</tr>
<tr>
<td>Years in China</td>
<td>7</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Knowledge of Mandarin</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

Based on its company characteristics, the subsidiary of company A, subsidiary A, was classified as a Strategic Leader with low KT and high RKT of technological and R&D knowledge and skills in the segment relevant to the Chinese market. Subsidiary B was a Contributor, with high KT and high RKT of technological knowledge and skills. Subsidiary C corresponded to the Implementer type with high KT and low RKT of technological knowledge and skills.

3.3 Data collection

The data were collected via six in-depth, semi-structured interviews with managers who are directly involved in KT and RKT between HQ and the subsidiaries. In each of the three cases, two managers were selected for the interviews: a senior manager from the HQ responsible for co-ordinating with subsidiaries and overseeing knowledge flows from the HQ to the Chinese subsidiary; and the expatriate (subsidiary manager) located in China initiating RKT back to HQ. As the majority of KT and RKT go through expatriate managers, they were selected as the primary informants from the subsidiaries. In HQ, the managers in most frequent contact with subsidiaries, most knowledgeable of KT and RKT from the perspective of HQ, and aware of the transfer problems as well as the attention HQ pays its Chinese subsidiary were interviewed. This dual perspective enabled us to thoroughly explore the perceptions of knowledge flows and the relevance
of individual capital in KT. Further, it allowed us to obtain the HQ perspective on the role of the expatriate’s capital in enabling and nurturing KT. Since all of the interviewed senior managers from HQ had been overseeing Chinese subsidiaries from their very establishment and the expatriates had occupied the managerial position from the outset, they were all aware of the progress made in knowledge flows over the years (see Table 1 for more information on the interviewees’ profile). Five interviews were carried out at the HQ premises and one interview via Skype (each lasting approximately 90 minutes). The interviewees were informed about the purpose of the research and requested anonymity.

The data were gathered in two steps. In the first step, the HQ managers (managers A, B and C) were interviewed and the interviews unfolded over three phases. First, general questions about the company and the subsidiary were asked. Second, inquiry was made about knowledge flows with a focus on the ways knowledge is being transferred between HQ and the subsidiary, types of knowledge being transferred and to what extent (conventionally and/or reverse). Third, barriers to knowledge transfer on the individual and organisational level, mitigating strategies, and cultural differences were addressed. The interviewees were asked about specific situations when knowledge was transferred, their personal experience as well as to reflect on the conditions that enabled KT; the manager’s perception of the expatriate’s characteristics and his capital characteristics.

In the second step, the expatriates in the Chinese subsidiaries (expatriates A, B and C) were interviewed. Open-ended questions enabled us to obtain data about unique, individual experiences and attitudes. The interview questions focused on knowledge flows between HQ and the subsidiaries with an emphasis on the expatriates’ role in facilitating this process and shedding light on the capital dimensions. The importance of social capital was established via questions relating indirectly to the three dimensions looking at the social ties, communication styles, trust-building strategies, and perceptions of adjustment to the cultural character (Cook & Wall, 1980; Eisenberger et al., 2001). First, their capital characteristics were generally explored and, second, the specific accounts during the KT process where the capital was relevant. The expatriates described how the situations unfolded and where their personal characteristics proved to be crucial. Based on the existing literature (Block & Kremen, 1996; Luthans & Youssef, 2004), psychological capital dimensions were revealed through questions about behavioural responses in challenging and stressful situations, strategies used to achieve desired goals, and ways of dealing with failures, thereby helping to determine the expatriate’s personality characteristics.

3.4 Data analysis, validity and reliability

Data were analysed according to the guidelines of qualitative research and several steps were taken to assure the validity and reliability of the findings (Myers, 2013; Schreier, 2012). An interview guide based on the literature review was prepared prior to the conversations. All interviews were recorded and the data were transcribed. The transcripts were reviewed by the respective executives. Following the guidelines for case study research (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Yin, 1993), in the first phase
of the data analysis the authors read the material multiple times to identify terms and categories within each case indicating specific patterns of thought, then independently analysed the data and, finally, compared their findings. This phase included becoming familiar with the contents and writing observations. During the process, the authors listened to the recorded conversations several times to reveal any additional information (e.g. laughter, pauses in thinking, sequencing of the information given, and the richness of the examples). The authors sorted the data according to pre-assigned categories (e.g. general information related to knowledge, directions of knowledge transfer, challenges related to cultural differences, the role of expatriates in knowledge transfer). In the second phase, the specific examples of the theoretical dimensions of an expatriate’s capitals were accounted for in the texts and the patterns of relationships between an expatriate's capitals and KT and RKT were revealed. Finally, the transcripts of the different interviews were compared to shed light on similarities and differences in the responses. The within-case analysis uncovered the relationships between constructs within a single case as well as supporting and contrasting views on the relationships between HQ and the subsidiaries, whereas the between-case analysis revealed similarities and differences among the cases.

4 RESULTS

Results of the interview analysis showed that the key channels for KT and RKT in all three cases are expatriates since the majority of knowledge is transferred through them, approximately 80%-90% on a daily basis. We organise our findings to determine first the role of psychological capital in enabling KT, comparing all three cases. We then investigate the relationship between psychological and social capital in enabling KT and RKT, taking different subsidiary types into consideration.

4.1 The relationship between psychological capital and KT

In all three cases, managers from HQ emphasised that for knowledge to transfer to China expatriates need specific personal characteristics (for examples of statements, see Table 2). Manager A stressed self-efficacy, resilience and optimism as being important expatriate personal characteristics needed for effective KT. Manager B explained that expats in China need specific energy, stamina and grit to face the difficulties. He also indicated self-efficacy, resilience and optimism as particular expatriate characteristics being conducive to KT. Manager C further clarified the personal characteristics that he believed are valuable for an expatriate to successfully transfer knowledge, thereby explicitly referring to three components of psychological capital – self-efficacy, resilience and optimism – as being important for KT, whereas hope was not mentioned at all.

When the expatriates from all three companies explained how they assured the transfer of knowledge, they all pointed to specific personal characteristics (for examples of their statements, see Table 2). Expatriate A stated that his personal characteristics are important for enabling KT, namely, being persistent, optimistic, trustworthy, displaying high self-
efficacy, and resilience. Expatriate B also explained which personal characteristics in his view are important for expatriates to enable KT, stressing self-confidence and resilience. He admitted being an extreme pessimist in private life, suggesting his levels of psychological capital were lower than he would have desired, which might be limiting KT to Chinese subordinates. He mentioned missing the things needed to succeed (e.g. resources, the ability to give employees a higher salary) and difficulties in KT on several occasions during the interview. With respect to expatriate C, we were able to estimate his psychological capital through his reflections on everyday experiences he made in the interview. We concluded he is positive, self-confident, stubborn, fair, respectful, displaying self-efficacy, optimism and resilience.

In all three cases, managers in HQ expressed that the personal characteristics of self-efficacy, optimism and resilience (pertaining to psychological capital) are important for successful KT. The fourth component of hope was not brought up during the interviews, and was thus explicitly not seen as important. The findings suggest that not all components of psychological capital are equally important and that some personal characteristics of expatriates are more important than others. The expatriates in all three cases pointed to self-efficacy, optimism and resilience as being important and never referred to hope as important, confirming the view of the HQ managers.

Table 2: *Statements supporting the relationship between expatriates’ psychological capital and KT*

<table>
<thead>
<tr>
<th>Psychological capital dimensions</th>
<th>Examples of statements from the interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>self-efficacy</td>
<td>“For an expat, it is most important that he is competent for KT and that he is self-confident and decisive…. He has to be positive, has to possess knowledge … Chinese employees expect he will transfer knowledge from HQ.” (Manager A)</td>
</tr>
<tr>
<td>self-efficacy, resilience, optimism</td>
<td>“You should be persistent, trust you own abilities, optimistic … constantly look for ways to achieve goals… Expats working in China have a certain style, energy … every day is a challenge, this challenge has to drive you, it gives you energy.” (Manager B)</td>
</tr>
<tr>
<td>self-efficacy, resilience, optimism</td>
<td>“An expat has to be optimistic, positive … convinced of his own abilities … persistent, he mustn’t get scared.” (Manager C)</td>
</tr>
<tr>
<td>self-efficacy</td>
<td>“You have to be superior, good at several things, then they respect you … you are like a father figure to them. Then they look up to you and listen to your advice.” (Expatriate A)</td>
</tr>
<tr>
<td>self-efficacy, resilience, optimism/pessimism</td>
<td>“You have to be an optimist, a merry person, like a colleague to the employees and business-savvy, knowledgeable, very structured… I believe in winning … I am convinced I have the abilities to succeed … if we have managed so far, we will solve this problem too… In my private life, I am an extreme pessimist…” (Expatriate B)</td>
</tr>
<tr>
<td>self-efficacy, resilience, optimism</td>
<td>“In the beginning, it was difficult, but I was stubborn… when problems appear, it is always better to be in a good mood, not worried, I say to myself, if we have come so far, and solved so many things, we will solve this one too. … Here, I know I depend on myself, success depends on me … I am glad I came to China, it is such a powerful experience ….” (Expatriate C)</td>
</tr>
</tbody>
</table>
4.2 The relationship between psychological capital and social capital facilitating KT and RKT

When discussing the barriers to KT, the interviewees said that relationships with their subordinates are important for successful KT, confirming the role of social capital. Managers in all three companies stated there are substantial limitations on building up social capital in the particular Chinese context (for examples of statements, see Table 3). Manager A expressed several concerns about building social capital with Chinese employees, directly referring to limitations on building structural and relational types of social capital. The cognitive dimension was not regarded as crucial. Manager B also recognised limitations on building all dimensions of social capital with Chinese employees and directly referred to social capital as being important for KT. Manager C outlined several limitations on social capital building specific to China, noting they rely extensively on the expatriate to transfer knowledge. Barriers to building structural social capital and relational social capital were recognised during the interview, as well as limitations on building cognitive social capital.

Expatriates revealed a different view on social capital building with Chinese employees. In fact, throughout the interviews, expatriate A and C did not express any particular difficulties with relationship building. Expatriate A referred to his relationships with the Chinese subordinates as friendly, trusting, thus expressing a high level of structural and relational social capital. Also from the interview with expatriate C, no particular problems were noted in respect of social capital building. The answers of expatriate C indicate high structural and relational social capital, whereas cognitive social capital was not referred to as being crucial. On the other hand, when asked about relationships with Chinese employees, expatriate B expressed difficulties establishing structural and relational social capital. Expatriate B specifically associated relationship-building problems with the KT problems occurring on a daily basis. However, on the cognitive dimension of social capital he demonstrated a high level of cognitive social capital. Expatriate B explained that Chinese employees do not accept knowledge from him without close relationships (structural social capital) and trust (relational social capital) first having been established, and despite the fact that knowledge is highly explicit, with everything being written or even recorded, it does not seem to stick with the employees. Further, the expatriate expressed substantial problems with KT despite having a high level of cognitive social capital, leading us to conclude that cognitive social capital is insufficient for successful KT and that the dimensions of social capital vary in importance.
### Table 3: Statements expressing the level of difficulty in building social capital and its impact on KT and RKT and the impact of psychological capital on social capital in support of KT

<table>
<thead>
<tr>
<th>Difficulties in social capital building for KT and RKT and impact of psychological capital on social capital</th>
<th>Examples of statements from the interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difficulties to build structural and relational social capital, cognitive not important</td>
<td>“The Chinese will never let you into their families, the family is important for them … You can never trust them completely, you have to monitor their work constantly … For a leader, adjusting to the Chinese culture is not critical, though… They don't expect you to speak Mandarin.” (Manager A)</td>
</tr>
<tr>
<td>Difficulties to build structural, relational, and cognitive social capital, causing difficulties in KT</td>
<td>“Socialising with Chinese employees is uncommon … I only meet with two Chinese for drinks after work … but I never meet with their families … Chinese employees don't particularly respect foreign managers … You have to be careful not to offend them … You can't trust them completely … When going to China, you have to accept their culture, the customs, food, there are several things about the culture you have to grow fond of … Knowledge of language is sometimes a problem as a lot of understanding and knowledge gets lost in translations from Slovenian, first to English, and then to Mandarin, due to specific technical terms. Sometimes, due to English technical terms we do not understand each other, even though we think we are pretty good at English. It takes a lot of communication to sort out what everyone thought and what was then the end result…. In communication, it leads to situations where we don't understand each other. It takes hours to resolve the issue.” (Manager B)</td>
</tr>
<tr>
<td>Difficulties to build structural, relational, and cognitive social capital</td>
<td>“It is more difficult to establish close personal relationships … The Chinese strictly separate personal and business life … they never invite me home … even expats socialise more with other Slovenian and European expats…. You can't trust the Chinese, you have to oversee their work all the time…. It is important to know the appropriate behaviour and language … it is difficult for an expatriate to learn Mandarin.” (Manager C)</td>
</tr>
<tr>
<td>No difficulties to build structural and relational social capital, in support of KT and RKT, cognitive not important</td>
<td>“We have friendly relationships … they talk to me about their families … they invited me to their weddings … I can trust them … I trusted them from the very beginning … I am a very trusting person. And they trust me … I don't speak Mandarin … I don't think there are cultural differences really… they work for money to feed their families like we do…. Good, warm and close relationships with people at HQ are important for sharing knowledge. I can get in touch with them quickly.” (Expatriate A)</td>
</tr>
<tr>
<td>No difficulties to build structural and relational social capital, in support of KT, cognitive not important</td>
<td>“I am communicating a lot with my co-workers … we go together for lunch, communication is friendly, open … I can trust them, and they trust me … I tried to learn Mandarin, but it is difficult to learn … it is good to know the Chinese customs, but that is not vital …if you are fair and respectful, they accept you and respect you.” (Expatriate C)</td>
</tr>
<tr>
<td>Difficulties to build structural, relational social capital, causing difficulties in KT, but high level of cognitive social capital, no difficulties in RKT</td>
<td>“Close and friendly relationships are rare; only possible with a few Chinese …. Employees need an authoritative leader, which is due to their culture … I can trust just one Chinese manager, for the rest, you have to monitor their work closely and give explicit and detailed instructions. They follow your guidelines for a day, but then return to the way they worked before … they adjust the work according to how it suits them best…. You have to build a team that is better than you, but you need to have the resources to do that, which some MNCs have, but we don’t… I have been married to China for the last 15 years, so to speak … I speak Mandarin.” (Expatriate B)</td>
</tr>
</tbody>
</table>
Personality helps to build trust in support of KT

"An expatriate builds trust in his subordinates when they see he is decisive and can quickly provide a solution when needed. If he is not decisive, he is not trustworthy..." (Manager A)

"You have to trust yourself that with your personal characteristics you will find a way to build relationships with Chinese employees." (Expatriate C)

For RKT, which is important in company A with subsidiary A in the role of Strategic leader, and in company B with subsidiary B in the role of Contributor, the expatriates emphasised the role of their social capital vis-à-vis HQ (for examples of statements, see Table 3). Expatriate A stated that close relationships with HQ are important. He explained that nurturing relationships when meeting in person in China, taking care of people, when they come for a visit, and building trust is of the greatest importance for subsequent RKT, addressing the relevance of social capital for HQ. Expatriate B explained the importance of raising HQ awareness of the value of the subsidiary’s knowledge through relational and structural social capital. This was confirmed in the interview with manager B, who recognised expatriates’ frequent communication with HQ to enable RKT. The results indicate that the focus of social capital building is following the direction of knowledge flows. In the case of KT, expatriates focus on building relationships with Chinese employees, whereas for RKT expatriates have to maintain close relationships with HQ. The level of intercultural barriers inhibiting social capital varies for two reasons, first in the case of KT, expatriates are building social capital, whereas for RKT they are maintaining already established social capital and, second, intercultural and language differences are not present as the expatriate is transferring knowledge to HQ, with geographical distance remaining relevant.

Further, in the interviews the managers implicitly stated that personal characteristics help expatriates overcome the cultural differences and build relationships (for examples of statements, see Table 3). Manager A sees expatriate A’s personality as helping him to build relational social capital to facilitate the transfer of knowledge. Similarly, expatriate A explained that perseverance (a concept similar to resilience) and a positive attitude (optimism) enable him to maintain high structural and relational social capital with HQ for RKT. During the interview, expatriate C also explained that Chinese employees trust him for his positive characteristics, directly linking psychological capital to relational social capital. Although Manager B indicated that self-efficacy and resilience help an expatriate build up trust, when recognising the actual dimensions of his psychological capital expatriate B talked about pessimism in his private life, leading us to conclude that a lack of psychological capital dimensions might also be detrimental to his ability to build structural and relational social capital.

For the expatriates, asking them about their everyday challenges and experiences allowed us to assess how much of particular psychological and social capital dimensions they themselves display, enabling potential problems in psychological and social capital impacting KT and RKT to be uncovered. Expatriates A and C demonstrated no problems in building structural and relational social capital, further indicating that cognitive social capital was not particularly relevant for KT and RKT. While expatriate B expressed a high
level of cognitive social capital, he nonetheless indicated problems in building the structural and relational dimensions of social capital. Interestingly, in terms of psychological capital, expatriates A and C demonstrated high levels of self-efficacy, resilience and optimism, whereas expatriate B showed a lower level of self-efficacy, and higher pessimism. Further, in the interview expatriate B directly related problems with structural and relational social capital to problems in KT, whereas expatriates A and C attributed no problems to the social capital dimensions. Expatriates A and C related personal characteristics to their capability to build trust with their subordinates.

In addition, only the interviewees in company B stated that cultural barriers are importantly inhibiting KT and RKT\textsuperscript{4}, allowing us to conclude that a lack of positive psychological capital leads to limited social capital, which is necessary for overcoming cultural barriers. Expatriates with a higher level of positive psychological are thus better at building social capital and therefore better at overcoming the barriers pertaining to the different cultural contexts of the HQ and the subsidiaries.

5 DISCUSSION

The present study employed a qualitative approach to investigate the role of personal capital (i.e. positive psychological and social capital) in facilitating KT and RKT within MNCs. The analysis revealed that psychological capital might better equip expatriates to overcome barriers to KT. Our results indicate that three dimensions are particularly relevant; self-efficacy, optimism and resilience. Expatriates with a higher level of psychological capital dimensions enable KT since employees look to them for advice, guidelines and solutions to problems. The reasons this may occur is that they believe a positive, optimistic leader is more likely to help them achieve positive individual outcomes like satisfied goals or increased job satisfaction, well-being or salary (Newman et al., 2014). This provides an interesting avenue for future research.

Further, the analysis revealed the impact of psychological capital and social capital on KT and RKT should be addressed simultaneously because psychological capital was found to influence the creation of social capital. The indirect impact of psychological capital on KT and RKT through social capital has previously not been explored in the literature, although some recent studies suggested that positive correlations between social and psychological capital exist (Hmieleski et al., 2015; Javidan & Teagarden, 2011). The literature predominantly treats different personal capitals as unrelated, albeit the findings are inconclusive (Luthans et al., 2004) as social capital was found to be dependent on the

\textsuperscript{4} The interviewees all agreed that multicultural barriers were experienced in all three cases, but the level to which they are present varies, proving that the cases are ideal settings for the research. In company A, geographical distance between HQ and the Chinese subsidiary was reported as an important barrier, although other multicultural barriers were not found to be very present. In company B, besides geographical distance between HQ and the Chinese subsidiary language barriers and differences in national culture were found to be very present. For company C, besides geographical distance between HQ and the Chinese subsidiary, language was expressed as the greatest challenge to sharing knowledge.
motivation and characteristics of individuals (Kwon & Adler, 2014) and, together with psychological and human capital, constitutes the individual’s global mindset (Javidan & Teagarden, 2011). In our study, expatriates who expressed higher psychological capital reported fewer limitations on their social capital building than the one with a lower level of psychological capital. Certain personality characteristics such as agreeableness and hedonism have already been recognised as antecedents of individuals’ social capital (Klein et al., 2004). In addition, positive individual characteristics were found to enable effective leader–follower relationships across cultures in support of leader–member exchange (Story et al., 2013). Research thus indicates that employees with higher positive psychological capital are better at building relationships in a global context (Youssef-Morgan & Luthans, 2013). Therefore, based on both previous research findings and our study we suggest that positive psychological capital can lead to a greater relationship creation and increased social capital. In fact, one’s positive psychological characteristics help their social capital to grow, as the managers in the interviews expressed. However, the impact of psychological capital on social capital may go well beyond KT and RKT processes as social capital also affects other employees’ outcomes like performance, creativity, job satisfaction, happiness, health and well-being (Borgatti & Foster, 2003), which are all understudied in the literature and thus in need of further research.

Another important observation from our study is that different types of social capital might vary in importance for KT vs. RKT. Our research findings suggest that, in the case of RKT, expatriates who focus on maintaining high social capital with the employees in HQ to assure knowledge inflows to the parent company are relevant in subsidiaries that play the role of a Strategic leader (Company A). For KT, developing relationships with employees within the Chinese subsidiary is vital for assuring inflows from the parent company to the subsidiary playing the role of an Implementer (Company C). For a subsidiary in the role of Contributor (Company B), both types of social capital are important. The findings complement previous research which found that level of social capital needed and its forms depend on the relationship between HQ and the subsidiaries (Kostova & Roth, 2003). Other types of social capital may also be important in MNCs, like relationships with other subsidiaries to enable KT within the whole MNC network. Further, relationships with external stakeholders in the host country are valuable for enabling knowledge spillover effects to the broader community (Golob, 2017). A typology of social capital could provide a fresh lens for social capital research, as already mentioned in the literature, in relation to different forms of communities (Kwon & Adler, 2014), different levels of social capital ownership (Kostova & Roth, 2003) etc.

The results further showed that not all dimensions of psychological and social capital are equally important, suggesting they should be investigated separately. In fact, Vogelgesang and co-authors (2014) in their study on psychological capital as part of a global mindset called for future research to investigate whether certain dimensions of psychological capital are more relevant in the global context. In our research, the dimensions of self-efficacy, resilience and optimism were found to enhance the creation of structural and relational social capital. Further, the hope component of psychological capital was never mentioned during the interviews as being an important characteristic for supporting KT...
or RKT. This might be due to expatriates who work in the volatile and highly competitive Chinese environment demanding prompt responses to current challenges and because relying extensively on outside help erodes their value as a leader in the eyes of Chinese employees. Another explanation might be that hope suggests adopting a more long-term view of the subsidiary's performance. Yet, in our cases all of the expatriates view their jobs as temporary, lasting only for a few more years.

Similarly, the cognitive dimension of social capital, reflecting knowledge of Chinese business customs, behaviours and the Mandarin language, was regarded as less important for enabling KT and RKT. In fact, the expatriate with the highest dimension of cognitive social capital and knowledge of Mandarin reported several problems related to KT and RKT. As for building relationships with external stakeholders like local officials and business partners, cognitive social capital along with structural and relational social capital were found to be most important. Previous research recognised that different dimensions of social capital hold varying importance when comparing inter- and intra-organisational KT in MNCs, finding that a lack of the cognitive dimension is more detrimental to internal KT than external KT in conditions of high cultural distance (van Wijk et al., 2008). In our research, the cognitive dimension was determined to be less important in enabling KT and RKT between HQ and the subsidiary, whereas in relationships with customers and other external stakeholders it was recognised as crucial for establishing relationships. This might be due to Chinese employees not expecting expatriates to adjust to the local customs, but to exercise leadership abilities and use positive psychological capital, which entails an interesting question for future research. Future research should address whether different dimensions of social capital have different levels of importance for building specific types of relationships and which dimension dominates when creating a certain type of social capital.

Based on the research results and the above reasoning, the proposed relationships between positive psychological and social capital dimensions and their impact on KT and RKT are summarised in the model shown in Figure 1.

Figure 1: Graphical representation of the relationships between personal capital and knowledge transfer
6 CONCLUSIONS

6.1 Theoretical contributions

The present study makes the following contributions to the existing body of knowledge. First, it contributes to the literature on the expatriate’s boundary spanning role (K. L. Johnson & Duxbury, 2010; Mäkelä, 2007; Reiche et al., 2009) by introducing three positive individual characteristics (self-efficacy, optimism, resilience) comprising the expatriate’s psychological capital as individual-level antecedents of knowledge sharing. To the best of the authors’ knowledge, this is the first study to integrate psychological capital and its dimensions as antecedents of an expatriate’s KT and RKT between HQ and subsidiaries abroad. In this sense, it advances the global leadership literature on the influence of the expatriate’s psychological capital on his/her cross-cultural adjustment and competencies (Vogelgesang et al., 2014; Youssef & Luthans, 2012). Our findings complement the literature on the expatriate’s social capital, which shows the positive impact high social capital available through strong, trusting relationships has on KT in MNCs (Mäkelä, 2007; Nahapiet & Ghoshal, 1998). The integration of positive psychological capital, rooted in positive psychology, in the expatriate literature is timely due to the increasing demands imposed on expatriates to combat the fierce competition in the diverse global market (Horak & Yang, 2016).

The study also advances the literature on international knowledge management in MNCs by showing how the relevance of different forms of capital differs based on subsidiary types and the nature of knowledge flows. Building on the Bartlett-Ghoshal (1986) typology of subsidiaries, it reveals how in the case of the Implementer type (company C) psychological capital helps build social capital with host-country nationals to enable a high level of KT. A Contributor (company B) focuses on KT and RKT and here psychological capital aids in attracting attention and making HQ aware of the newly created knowledge. For a Strategic Leader (company A), psychological capital is important to sustain sufficient attention in HQ for RKT as KT diminishes, and to maintain sufficiently high social capital with HQ to support RKT.

An empirical contribution arises from the use of a qualitative research design. The qualitative multiple case study approach enabled us to investigate psychological capital in a novel context, providing insights into the relationship between different individual capital dimensions as underlying mechanisms behind KT and RKT within MNCs. It enabled us to uncover ‘how things really get done’ (Anteby et al., 2014). It allowed us to gain an in-depth understanding of the positive individual characteristics behind the capacity of individuals to build relationships that stimulate KT behaviour, thereby obtaining a richer comprehension of the studied phenomena.

6.2 Practical implications

The study shows that expatriates’ personal characteristics and capabilities for developing trusting relationships are crucial for KT, both conventional and reverse. Important
questions arise for human resource and talent management in organisations: how to recruit people with high psychological and social capital, whether to recruit them or develop them internally. In the recruitment phase, companies should carefully select managers for offshore assignments (Tsang, 1999), particularly focusing on their personal characteristics: self-efficacy, resilience and optimism already during the selection stage. Psychological tests should be used to establish the levels of relevant capitals and determine the appropriateness of a certain candidate for positions abroad to increase the probability of the expatriate being successful, which would benefit the exchange of resources, specifically knowledge.

As both social and positive psychological capital are open to development, it is also beneficial for talent managers to ask how to develop personal capital internally. Further development of an expatriate’s social and psychological capital is in the company’s interest because it facilitates KT. Therefore, HRM departments could develop trainings to recognise deficiencies in capital dimensions and formal programmes in which an expatriate would work with a professional to try to increase specific capital dimensions. The introduction of capital development programmes would also help ensure a pool of candidates eligible for expatriate jobs. Social capital development programmes should include workshops on cross-cultural sensitivity, formally building and supporting communities of practice, organising informal meetings, and sending potential candidates out on short-term assignments.

In management development programmes, greater attention should also be paid to the development of psychological capital among managers chosen for foreign assignments as such capital helps and a lack of it hinders the development of social capital and can limit the transfer of knowledge. Psychological capital is developable through different strategies (Luthans et al., 2007), particularly experiences gained, training and development, learning from positive situations, feedback, an ethical and trustworthy culture as well as managing negative situations to become developmental experiences (Luthans et al., 2006; Reichard et al., 2013). This might be especially relevant for expatriates on first offshore assignments in situations of no previous relationships in place to build on, and in cultures like the Chinese where guanxi guides the personal and professional life of Chinese employees and is quite challenging for expatriates to develop (Buckley et al., 2006).

6.3 Limitations

Like all research, the present study is not without limitations. The first concerns the small sample size which limits the generalisability of the findings. Nonetheless, it represents 40 per cent of the whole population, where all companies fit the following criteria: a fairly developed internationalisation strategy (i.e. a production plant in China); up to 10 years of the expatriate’s presence in China. From the study’s standpoint, this is important because it allowed us an insight into expatriates’ perceptions of knowledge flows and culture that were created over a longer time. In addition, the small sample enabled a thorough exploration of the concepts, complementing the few existing studies that employed a
case study approach (J. Y. Yang et al., 2011). Second, the sample is limited to Slovenian companies and therefore only Slovenian perceptions and experiences were accounted for. In the future, researchers could consider expatriates from different countries to account for differences across cultural contexts (Michailova & Mustaffa, 2012). A comparison of the responses of managers with a global career with managers who have a single foreign country experience could provide greater insights into the role of specific capital dimensions. Fourth, the research documents two types of knowledge transfer: from HQ to Chinese subsidiaries, and vice versa. Scholars may want to explore the flows between Chinese subsidiaries and subsidiaries in other locations as well (Buckley et al., 2003; P. Wang et al., 2004). Finally, as the Bartlett-Ghoshal typology (1986) of subsidiaries provided the sampling framework, it needs to be mentioned that one type of subsidiary, the Black Hole, was not included, since none of the companies fitted the criteria.

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