

# Knowledge Acquisition of Local Managers: Its Antecedents and Effectiveness

**Dao Thi Thanh Lam**

*Business School, National Economics University, Vietnam*

*Email: lamdao14@gmail.com*

**Nguyen Anh Loi**

*University of Minnesota, USA*

*Email: loixx002@umn.edu*

## **Abstract**

*The objectives of this article are to examine how expatriates and local managers of the subsidiaries of Multinational Corporations' (MNCs), or joint ventures, interact to affect local managers' learning; and to investigate how local managers' knowledge acquisition from expatriates affects their own performance. To achieve those objectives, the research utilises both quantitative and qualitative exploratory approaches. Data were collected from surveys and in-depth interviews at 109 international joint ventures in Vietnam, including dyadic data from 68 local manager-expatriate duos. Through the survey, this research confirms the hypothesis that expatriation fosters tacit knowledge transfer. It also suggests that receivers have a stronger impact on knowledge acquisition than providers. In addition, we find that among various types of knowledge being transferred in expatriate-local manager interactions, only 'acquired tacit professional' knowledge affects local managers' performance.*

**Keywords:** Expatriates; local managers; knowledge acquisition; Vietnam; cross-culture management; knowledge transfer.

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## 1. Introduction

Expatriate assignments have been used by organizations to create a competitive workforce in the global economy (Selmer, 2001) and to facilitate knowledge transfer between headquarters and subsidiaries (Minbaeva and Michailova, 2004). However, few studies have investigated the effectiveness of knowledge transfer through expatriates (Mäkelä and Brewster, 2009), especially at an individual level where the learning process takes place (Inkpen, 2008; Tsang, 2002; Park and Harris, 2014). Most studies of knowledge transfer and expatriation focus on the implications of knowledge acquisition for organizational performance and/or expatriate performance and there is a lack of focus on local managers' performance (Al Ariss, 2014). The performance of local managers, however, is essential for the success of international companies. This paper calls the attention of researchers and practitioners to the importance of examining this side of the process. Specifically, the study identifies which factors affect local managers' acquisition of knowledge from expatriates and how effective the knowledge acquisition is in improving local managers' performance.

Knowledge acquisition is defined in the context of knowledge transfer as a process of dyadic exchanges of knowledge between a source and a recipient (Szulanski, 1996). While knowledge transfer and knowledge acquisition are often used interchangeably, they emphasize different players in the process. The former focuses on the intention of the source or the provider, while the latter can happen intentionally or unintentionally, and focuses on the receiver (Szulanski, 1996). The contribution of this pa-

per is two-fold. First, drawing on Szulanski's theory of knowledge transfer, the study extends its application to an individual level analysis rarely seen in the management literature and responding to calls for a micro-foundation approach to understanding knowledge transfer among individuals within multinational corporations (Haas and Cummings, 2015). Second, although research emphasizes that expatriates play a role in tacit knowledge transfer from headquarters to local subsidiaries (Bonache and Brewster, 2001; Kuhlmann and Hutchings, 2010), there are few empirical studies investigating this role and, more importantly, evaluating the effectiveness of tacit knowledge transfer in improving local managers' performance. By collecting and analysing dyadic data, the paper provides insights on individual factors, of both expatriates and local managers, which may affect local managers' knowledge acquisition. The paper also investigates how local managers' knowledge acquisition in its turn affects local managers' performance.

The paper takes the following form. First we examine relevant literature to build our research hypotheses. Then we describe the methodology we used to test those hypotheses, present our findings and discuss their import and the conclusions we can draw from them.

## 2. Theory and hypotheses

The main research streams that we based on for this study are learning and knowledge theories. Specifically, we based our research on the conceptual model of Szulanski (1996). According to him, knowledge transfer is affected by the characteristics of the sender and the receiver and the relationship between them.

In addition, this research was conducted un-

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der a cross-cultural environment with the context of knowledge transfer between local managers and expatriates, therefore expatriation is another research stream that we used here.

The following sections present important concepts and propose hypotheses related to knowledge acquisition between expatriates and local managers of MNCs in Vietnam.

Learning and knowledge are intertwined concepts. Chakravarthy et al. (2005) described knowledge as a type of understanding that exists at a certain point in time, while learning is a process of acquiring this understanding and leads to knowledge. Knowledge is generally accepted as a way to measure outcomes of the learning process (Argyris and Schon, 1996; Huber, 1991).

Knowledge has been classified into different categories, such as explicit vs. tacit knowledge (Polanyi, 1983, reprinted 1966 version), declarative vs. procedural knowledge (Anderson, 1983), know-what vs. know-how knowledge (Sackmann, 1992). This study focuses mainly on the distinction between explicit and tacit knowledge, and the functional knowledge typologies between expatriate managers and local managers (Riusala and Suutari, 2004). Nonaka (1991) defines explicit knowledge as information that is codified, transmittable, informal and systematic language (in the form of information), whilst tacit knowledge is defined as know-how that is personal, context-specific, and hard to formalize and communicate. Functional knowledge is important in organizations (Nelson and Coopriider, 1996) and includes knowledge of management, culture, sales and marketing, technical and production data, products and services, human resource

management, accounting and finance (Riusala and Suutari, 2004).

### ***2.1. The importance of knowledge acquisition by local managers***

The importance of learning and knowledge transfer has been discussed extensively (Lyles and Salk, 1996; Lane and Lubakin, 1998). It has been seen as a basis for competitive advantage (Argote and Ingram, 2000). Multinational companies frequently rely on expatriates to manage their overseas subsidiaries (Bonache, Brewster and Suutari, 2001; Santoso and Loosemore, 2013; Zhong, Zhu and Zhang, 2015). One rationale for expatriation, as a form of human agency, is that it is a cost-effective method of transferring tacit knowledge (Mäkelä and Brewster, 2009; Riusala and Smale, 2007). However, in order to understand how the knowledge is translated into performance, it is necessary to take into account the knowledge acquisition process. Szulanski (2003) stated that knowledge transfer manifests itself through changes in knowledge in recipient units, which in turn affects decision making and creates performance improvement. But the literature gives little voice to the locals working alongside expatriates (Al Ariss, 2014; Toh and DeNisi, 2005).

Acquired knowledge is divided into three main types: tacit professional knowledge, explicit professional knowledge and cultural knowledge. While knowledge is often categorized into tacit knowledge and explicit or functional knowledge, we argue that the categorization fails to acknowledge the importance of cultural knowledge, especially in the context of knowledge transfer between expatriates and local managers. Many studies have shown that

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cultural misunderstanding results in lower levels of knowledge transfer (Bhagat, Kedia, Harveston, and Triandis, 2002; Simonin, 1999). Cultural knowledge is different from professional knowledge because it is tacit in nature (Holden, 2002) and contextually bounded (Gullestrup, 2006; Kuada 2008). Technical and managerial knowledge, on the other hand, is less culturally context-bounded and is more directly related to business activities and easier to standardize. Therefore, we separate *professional* knowledge and *cultural* knowledge when measuring acquired knowledge. *Professional* knowledge refers to knowledge of specialized fields, managerial techniques and skills acquired by the receiver and it has two components including tacit and explicit knowledge. *Cultural* knowledge refers to the understandings of the foreign cultures, tastes, and values acquired by the receiver. Prior studies suggested that knowledge is an important source of organizational performance (Kogut and Zander, 1993; Qin, Ramburuth and Wang, 2008; Smith, 2001; Zhou and Li, 2012). Hence, we predict that all three types of acquired knowledge have a positive impact on receivers' performance. Specifically, we propose:

**H1:** *Local managers' knowledge acquired from expatriates has a positive impact on their performance, such that the more knowledge they acquire from expatriates, the better they will perform.*

## **2.2. The antecedents of knowledge transmission**

There are many factors affecting knowledge acquisition, including the characteristics of the knowledge acquired, organizational factors, cultural similarity between provid-

ers and receivers (Selmer and Luring, 2009), the disseminative capacity of the providers and the absorptive capacity of the receivers (Leonard-Barton, 1990; Minbaeva et al., 2014; Selmer, 2002). Absorptive capacity is defined as the ability to value, assimilate and apply new knowledge (Cohen and Levinthal, 1990). The disseminative capacity of the provider is the ability to communicate his/her knowledge in a way the receiver can understand (Minbaeva and Michailova, 2004). In this study, we unpack further disseminative capacity and absorptive capacity at the individual level and examine their impacts on knowledge acquisition.

*Expatriates' individual characteristics (disseminative capacity)* influence knowledge transfer and knowledge acquisition (Minbaeva and Michailova, 2004; Szulanski, 1996; Simonin, 1999). The cited research emphasized the importance of motivational factors and noted the low level of knowledge transfer created by a lack of motivation from the knowledge providers or the fact that the source might not be perceived as reliable. However, such factors were aggregated to an organizational rather than explored at an individual level. Following Reagan and McEvilty's (2003) conceptualization of disseminative capacity, which is related to experience and the ability to frame one's knowledge, we operationalize disseminative capacity into two elements: experience and cross-cultural skills of the source.

*Experience*, or what we have done and what has happened to us in the past (Davenport and Prusak, 1998), provides individuals with opportunities to create knowledge through trial and error (Argote, McEvily and Reagans, 2003). In a new situation, prior knowledge allows

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expatriates to estimate more accurately future stressors and difficulties (Shrinivas Harrison, Shaffers and Luk, 2005), which in turn enable expatriates to adjust better to difficult situations in the local subsidiaries. This previous international experience also helps expatriates to select and apply the most appropriate ways to transfer knowledge. It can also help expatriates to develop psychological capital which contributes to their performance (Dollwet and Reichard, 2014; Luthans, Avolio, Avey and Norman, Combs, 2006). According to Tsang et al. (2004), experience can also contribute to a mature personality, which in turn may be helpful for an expatriate in terms of working independently in a new and different environment. The more experience expatriates have, the better role discretion is in terms of what, how and by whom works get done. This better role discretion can lead expatriates to make a greater commitment to transfer knowledge (Minbaeva, 2004), thereby leading to a higher level of knowledge acquired by the local managers. If expatriate managers have a richer expatriation experience, they can better understand the most appropriate ways to work with the local managers. Collaborative experience has been shown to facilitate knowledge transfer (Simonin, 1999; Ko, Kirsch and King, 2005; Chang, Gong and Peng, 2012). Therefore, international experience is expected to be positively related to all types of knowledge acquired by local managers.

Furthermore, expatriates have been regarded as culture builders (Sorensen, 2006), as encouraging socialization in company values, cultures, and expected behaviours (Edstrom, and Galbraith, 1977; Holden, 2002), and as ‘the co-

ordination glue’ tying the organization together (Bartlett and Ghoshal, 1991). Therefore, the expatriates’ international experience can also influence the cultural knowledge acquired by local managers. So we argue that:

**H2:** *Expatriates’ international experience has a positive impact on all types of knowledge acquired by local managers, such that the more international experience they have the more knowledge local managers will acquire from them.*

*Cross-cultural skill (CCS)* is an individual’s capability to function effectively and to manage in diverse cultural settings (Ang et al., 2007) and it has three facets: cognition, motivation and behaviour. The inability of many expatriates to understand local environments and to interact effectively has long been a topic in the expatriation literature and cross-cultural skills have been regarded as one of the most essential capabilities for expatriates in a new culture (Bartlett and Ghoshal, 1991; Caligiuri and Di Santo, 2001; Howard, 1992; Neupert et al., 2005; Chang et al., 2012). Expatriates with high CCS are more aware of cultural differences and more sensitive to predicted expectations and behaviours of their counterparts. They can, therefore, reduce uncertainties in the host country environment, and exhibit appropriate behaviours and responses when interacting with local counterparts. This helps build up a good relationship with their partners and increases their chances of transferring knowledge to a local partner. Thus, we predict that:

**H3:** *Expatriate’s cross-cultural skill has a positive impact on all types of knowledge acquired by local managers, such that the more cross-cultural skill they have, the more knowl-*

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*edge local managers will acquire from them.*

### **2.3. Knowledge acquisition: the role of local managers' individual factors**

There are many factors that can influence knowledge acquisition, including local managers' individual factors. Previous studies (Chang et al., 2012; Szulanski, 1996) paid attention to the absorptive capacity of a recipient unit in affecting knowledge acquisition at an organizational level. This study investigates absorptive capacity at an individual level in which absorptive capacity is related to motivation to learn and the ability to absorb knowledge from senders (Cohen and Levinthal, 1990; Minbaeva, 2004). We look specifically at the importance of local managers' company specific experience, cross-cultural skills and openness to learning and their effect on the manager's own knowledge acquisition.

*Company specific experience* is important because it provides cultural and contextual knowledge (Dao and Sorensen, 2006). The main benefit of such experience is that it provides a historical viewpoint or perspective from which local managers can better understand situations and events, making it helpful for their learning. Learning theory shows that experience is important for individual learning (Crossan et al., 1999). Individuals learn by intuiting and interpreting processes. Intuiting is a preconscious recognition of patterns and possibilities inherent in a personal stream of experience (Crossan et al., 1999, 525). Through intuiting, an individual develops new insights. An experienced expert who has a good cognitive map can perceive patterns that novices cannot. Their cognitive structures/mental models are shaped by their previous experiences in a

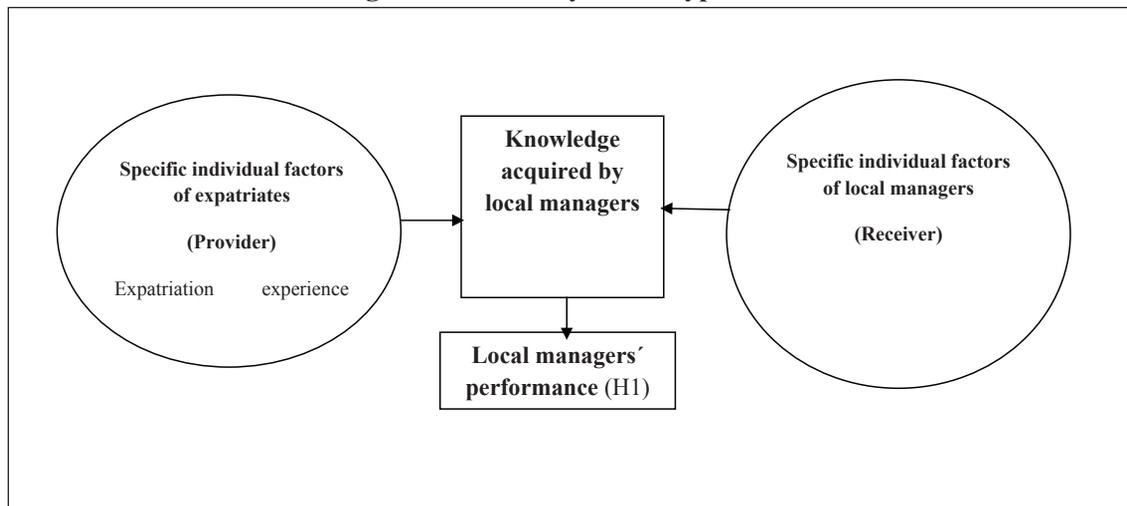
certain domain (Haslberger, Brewster and Hippler, 2014) or environment. Specific experience with a company helps local managers feel more comfortable with their company business and cultural environment, and improves their know-how in terms of working with expatriates, which lead to a higher degree of knowledge acquisition from expatriates. We therefore propose:

**H4:** *Local managers' experiences with a current company have a positive impact on all types of their acquired knowledge, such that the more experience they have, the more knowledge they will acquire.*

*The cross cultural skills* of local managers has drawn much less research attention than those of expatriates. Vance and Paik (2005) found that expatriate and local cross-cultural training was one of the top four training demands of host country managers, because this training supported them in interacting with expatriates. Local managers with good CCS are able to understand the national cultures of expatriates, or at least the fact that their culture is different, and appreciate their behaviours. This, in turn, enhances personal attachment to and cooperation with expatriates. The personal attachment and cooperation lead to a more positive motivational disposition and a receptivity among local managers to accept information from expatriates (Vance and Paik, 2005; Bückner, 2014). Consequently, knowledge sharing with expatriates is encouraged (Bresman et al., 1999). Hence, the CCS of local managers is expected to affect their own knowledge acquisition:

**H5:** *Local manager's cross-cultural skills have a positive impact on all types of their ac-*

**Figure 1: Summary of the hypotheses**



Source: Developed by the authors of this study.

quired knowledge, such that the more cross-culturally skilled they are, the more knowledge they will acquire.

*Openness to learning* is defined as an individual's willingness to listen and evaluate new ideas from different points of view with a non-judgmental or critical attitude, and the willingness to take the initiative to find and apply new ideas in practice (Costa and McCrae, 1992). Prior studies suggest that, of the psychological traits, openness to experience was among the most salient variables in predicting positive relationships between personalities and knowledge sharing (Cabrera et al., 2006). The motivation and ability of the recipient to absorb knowledge are positively related to the degree of knowledge transfer (Minbaeva, 2004; Nonaka, 1994; Nonaka and Takeuchi, 1995). Hence, our final hypothesis is:

**H6:** *Local manager's openness to learning has a positive impact on all types of acquired knowledge, such that the more they are open*

*to learn, the more knowledge they will acquire*

### 3. Methodology

#### 3.1. Data collection and sample

The total population for this study is defined as joint ventures or 100% foreign owned companies of MNCs operating in Vietnam. The database of those companies was provided by the Foreign Investment Agency (FIA) belonging to the Ministry of Planning and Investment, which manages foreign investment in Vietnam. In 2007, the Ministry logged 8,383, 100% foreign-owned companies (hereafter called subsidiaries) and joint ventures, of which 3,410 companies were located in Hanoi and Ho Chi Minh City. The survey was conducted in these two cities. Since the FIA database does not provide specific information on whether the organisations are subsidiaries or joint ventures of MNCs, the authors randomly selected 500 companies and included them in the sample subject to the following criteria: (1) Parent

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companies of those subsidiaries and JVs must own separate operations in at least two foreign countries to make sure that their parent companies are MNCs; (2) The companies must have entered Vietnam more than three years ago. This requirement ensures that organizational performance and learning can be observed over a period of time and that performance is measured over successive periods rather than as a one-time event; (3) The company must have more than 30 employees and employ foreign managers. This criterion ensures that the sample companies are not small enterprises and have similar organizational complexity. After checking detailed information on the sample companies, nearly two hundred companies that met the three criteria above agreed to participate in this survey.

We followed recommendations by Hair et al. (2006, p. 780) on measurement development to construct our survey. We pre-tested the questionnaire with a sample of a senior manager in each of 50 companies and excluded items with loadings below 0.3 and then sent the revised questionnaire to the companies that had agreed to participate. The questionnaire was directed to respondents who met the following required criteria: (1) For each company, the questionnaires must be filled out by both a foreign expatriate and a Vietnamese manager. The Vietnamese managers must work or interact directly on a daily basis with foreign managers in their companies; (2) the respondents must have worked for the company for more than one year. This time requirement ensures that both foreign and Vietnamese managers have enough experience to know the company and to know their counterparts. Participants (both expatriates

and local managers) were all fluent English speakers and the surveys were conducted in that language. Surveys for expatriates and local managers were mostly the same, except for the items related to acquired knowledge which appeared on local manager questionnaires only.

We received responses from 109 local Vietnamese managers of whom 68 local managers had an expatriate partner participating in the study. Hence, we have 109 local Vietnamese managers and 68 expatriate partners in our database (see Appendix 1 for profile of participants). The average age of local managers was 38.8 years and the average age of expatriates was 46.8 years. Those 68 local managers were matched and coded correspondingly with 68 expatriate counterparts to ensure that we have dyadic data when we tested the correlation between local managers and expatriates.

In order to triangulate our theory and measurements, we also collected data from in-depth interviews using a qualitative case study approach (Yin, 1994). In total, ten Vietnamese top managers and six foreign expatriates (both CEOs and managers) of eight subsidiaries and joint ventures of MNCs were interviewed. These interviews, which lasted on average fifty minutes and were conducted in Vietnamese for the local managers and in English for the expatriates, aimed to add more insights from the perspective of expatriates from parent companies as well as from international subsidiaries located outside Vietnam.

### **3.2. Measurement**

We designed our questionnaire based on previously published studies. Factor analysis and reliability analysis were used to evaluate the convergent and discriminant validities of

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measurement (Churchill, 1979). The communalities used in this research have Cronbach's  $\alpha$  comfortably above or close to the 0.6 recommended for exploratory research (Hair et al., 2006).

*Experience.* We measured the experience of expatriate managers by an individual's number of years as an expatriate. The experience of a local manager was measured as the number of years working for the current company.

*Cross cultural skills.* We adapted the scale of Cultural Intelligence from Ang et al. (2007) which measures cross-cultural skills in three dimensions: cognition, motivation and behaviour. The scale was shortened to three items due to the low factor loadings on other items. The final three items were: (1) I am aware of the cultural knowledge I use when interacting with people with different cultural background; (2) I enjoy interacting with people from different cultures and (3) I change my behaviour when a cross-cultural situation requires it.

*Openness to learning.* We developed a scale to measure openness to learning based on three items reflecting the definition: (1) I am always willing to listen to new ideas without judgment and criticism; (2) I always take my own initiatives in finding new ideas, making decisions and I am responsible for those issues; (3) I am always willing to try out new ways of doing things.

*Knowledge acquisition.* We developed three two-item scales to assess the knowledge acquired by local managers from expatriates in terms of professional tacit, professional explicit and cultural knowledge.

*Performance.* The overall individual performance of local managers was measured by job

and contextual items, adapted from the measurement of expatriate effectiveness by Shaffer et al. (2006).

*Control variables.* Five control variables of respondents were examined, i.e.: respondent age, position (top vs. middle management in organizational hierarchy), nationality (Western versus Eastern countries based on the Globe Study's cultural clusters (House et al., 2004)), managerial experience, cultural differences; furthermore five control variables related to the characteristics of the participating firms were included in the analysis, i.e.: ownership (joint ventures vs. 100% foreign-owned), industry (manufacturing and service), knowledge intensity (high vs. low classified by OECD, 2007), company size (number of employees), parent country of origin.

*Construct validity.* We use multiple sources of data collection to triangulate our measurements (Mathison, 1988). We assess the construct validity in several ways. First, we perform exploratory factor analysis with Varimax rotations and obtain appropriate factor solutions. We then run reliability analysis for each construct. The Cronbach  $\alpha$  for all of our variables are greater than the 0.6 cut-off for exploratory research (Hair et al. 2006). We also use confirmatory factor analysis to further validate our measurements. Statistics from Confirmatory Factor Analysis indicated a general fit in the model with RMSEA= 0.046, IFI = 0.978, CFI= 0.977, GFI=0.915 (see Appendix II for further information on the reliabilities and validities of our measurements).

*Common method bias.* A regression model between characteristics of local managers and their knowledge acquisition can be affected by

common method bias because data used for dependent and independent variables was collected from the same respondents. To check the common method bias, we followed remedies recommended by Podsakoff et.al. (2003) during the design phase and the statistical techniques introduced by Ngo (2005) for running regression models. We used the Gauss-Makove theorem to test the common method bias through unequally distributed homoscedasticity of residuals. The techniques used, as recommended by Ngo (2005), show that the regressions run for the squared predicted values on the squared residual values were not significant. Therefore, the regression models were not subject to common method bias.

#### 4. Findings

##### 4.1. Knowledge acquisition and local managers' performance

The regression results for Hypothesis 1 between types of knowledge acquired by local managers and their performance are presented in Table 1. Results partially support Hypothesis 1.

As predicted, the tacit knowledge of local managers is positively significant in terms of their performance, but explicit knowledge is not. This is consistent with prior findings that expatriates are used for the transfer of tacit knowledge, including managerial knowledge, and that contributes to local managers' performance (Bonache and Brewster, 2001; Kogut and Zander, 1993; Riusala and Suutari, 2004). However, acquired explicit professional knowledge by local managers does not affect their performance in their companies. Neither is cultural knowledge acquired by local managers found to be significant in terms of the individual performance of local managers. This may reflect the fact that cultural knowledge is important for local managers if they are to understand their counterparts' behaviours and assumptions so they can cooperate better at work, but is not as essential as professional knowledge for performance.

##### 4.2. Expatriates' individual characteristics on knowledge acquisition

Table 2 shows the results for Hypothesis 2

**Table 1: Regression results for performance models of local managers (N=109)**

Variable	Local manager performance
Explicit professional knowledge	0.024
Tacit professional knowledge	0.387*
Cultural knowledge	0.215
Age	-.012
Nationality	0.104
Position	-.085
Company size	-.035
Industry	-.016
R squared	0.176
F	3.436**

Source: Data from the survey conducted by the authors of this study.

**Table 2: Regression results for individual expatriates' characteristics on local managers' knowledge**

Variables	Professional knowledge $\beta$		Cultural knowledge $\beta$
	Explicit	Tacit	
Expatriation experience	0.164	<b>0.304+</b>	-0.127
Cross cultural skill	-0.049	0.001	0.112
Local manager's age	0.083	0.161	<b>0.275+</b>
Top management position	-0.082	-0.09	-0.084
High knowledge intensity	-0.067	-0.183	0.081
Service business field	-0.009	-0.089	-0.049
Ownership (100% foreign-owned)	-0.172	-0.102	-0.22
Company size	0.13	0.07	0.212
Parent country of origin (Western companies)	<b>0.347*</b>	0.233	<b>0.284+</b>
Adj. R <sup>2</sup>	0.007	0.058	0.119
F	1.034	1.329	1.737

Note: N(sample) = 68, F: F ratio.  $\beta$ : Beta coefficient. +  $p < 0.1$ ; \*  $p < 0.05$ ;

Source: Data from the survey conducted by the authors of this study.

and 3 between the individual expatriates' antecedents and knowledge acquired by local managers.

Results partially support Hypothesis 2 but do not support Hypothesis 3. The international experience of expatriates is useful in helping local managers to acquire professional tacit knowledge. This is consistent with Minbaeva's (2004) findings that expatriation can motivate expatriates to transfer knowledge, which in turn may lead to more knowledge being acquired by the receivers. McEvoy and Parker (1995) and Shaffer et al. (1999) also found that expatriates' previous international experience is positively associated with interaction adjustments between expatriates and local managers. The qualitative data suggests that some local managers changed their way of thinking at work and their professional behaviours as a result of interactions with expatriates:

*"I learned how to manage people in the western way or have a western mind set. I do*

*not blame other people, and everything should be transparent and clear... I have also learned how to give freedom to subordinates and ask if they need help, be open for feedback and to learn..." (Human Resource Manager of Company B).*

Furthermore, the face-to face interactions over time lead to cognitive understanding between expatriates and local managers, one aspect of the tacit knowledge (Nonaka, 1994) as expressed by a local manager:

*"When I accompanied my expatriate boss to meet local companies, when he was speaking a half sentence, I translated the whole sentence..." (Local manager, Company E)*

On the other hand, the international experience of expatriates is not significant for the professional explicit knowledge and cultural knowledge acquired by local managers. These findings may be due to the explicit nature of professional knowledge which may not be the

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focus of interactions between expatriates and local managers. Understanding other cultures requires considerable social interactions and cultural immersion which may not be provided by interactions in professional settings (Chang, Yuan and Chuan, 2013).

Contrary to expectations and the literature, the expatriates' cross cultural skills do not have a direct impact on any of the categories of knowledge acquisition by local managers either. These results may be explained by the fact that the cross cultural skills of expatriates and local managers have a direct impact on their own knowledge acquisition, while it does not affect the knowledge acquisition of their counterparts. The effects of expatriates' and local managers' cross cultural skills on their counterparts' knowledge acquisition require the presence of other factors such as psychological capability, leadership style and communication competence (Luthans et al., 2007; Matveev and Nelson, 2004; Selmer and Luring, 2009). In addition, local managers can acquire more cultural knowledge through other sources, such as training and visiting headquarters, than through expatriates:

*“Training at headquarters is a reality check. When I was there, I could feel how our company is leading the industry. This feeling is very important later in building up job confidence. For example, when selling the company's products to customers, I can describe exactly its products, technology, etc. in detail.”* (Vietnamese Sales Manager, Company D)

*“Although I had learned by heart the company structure, values and cultures, I did not feel it strongly and really sense it until I was at the headquarters. When you are in the USA,*

*you learn that Americans prefer voice messages to other types of communication. Then you can use voice messages when working with American partners.”* (Vietnamese HR Manager, Company A)

The general assumptions in the literature - that expatriates are used when knowledge is highly tacit (Bonache and Brewster, 2001) and that they are useful for transferring corporate knowledge (Riusala and Suutari, 2004) - are not strongly supported in terms of transferring cultural knowledge to local managers. This study suggests that we need to return to the notion of contextual embeddedness (Granovetter, 1985) to justify the expatriate's role in transferring cultural knowledge. Expatriates have a certain influence on defining corporate culture at subsidiaries and joint ventures, but they may not have as strong an impact on the concepts as headquarters expects. Some knowledge, such as organizational operations and atmosphere, is stored in organizational routines and systems which expatriates cannot bring, at least fully, to overseas operations. And, for individual reasons, expatriates may not be fully effective in transferring the organization's tacit knowledge to overseas operations.

#### **4.3. Local managers' individual characteristics on knowledge acquisition**

Table 3 shows the results of the individual characteristics of local managers that affect their knowledge acquisition in the company. Hypothesis 4 and 6 were not supported by the data while hypothesis 5 was strongly supported.

Local managers' specific company experience (hypothesis 4) is found to be insignificant in all types of knowledge acquired by the local

**Table 3: Regression results for local manager-local manager models**

Variables	Professional knowledge $\beta$		Cultural knowledge $\beta$
	Explicit	Tacit	
Experience with current Co.	0.103	0.045	0.001
Cross cultural skill	0.326**	0.393***	0.302**
Openness to learning	-0.093	-0.084	0.16
<i>Local manager's age</i>	0.099	0.082	0.283*
<i>Top Mng Position</i>	0.031	0.061	0.014
<i>High Knowledge Intensity</i>	-0.067	-0.064	0.107
<i>Service Business Field</i>	-0.042	0.127	-0.073
<i>Ownership (100% foreign-owned)</i>	-0.013	-0.083	-0.036
<i>Company Size</i>	0.09	0.077	0.153
<i>Parent Country of Origin (Western companies)</i>	0.304**	0.254*	0.106
Adj. R <sup>2</sup>	0.101	0.119	0.212
F	2.018*	2.205*	3.452***

Note:  $N(\text{sample}) = 68$ ; Adj. R: Adjusted R squared for each model; F: F ratio.  $\beta$ : Beta coefficient. +  $p < 0.1$ ; \*  $p < 0.05$ ; \*\*  $p < 0.01$ ; \*\*\*  $p < 0.001$ .

Source: Data from the survey conducted by the authors of this study.

managers themselves. This may be explained by the competency trap concept presented by Levitt and March (1998). More new knowledge can be gained during the early stages of a new relationship or a new context (Granovetter, 1973; Napier and Thomas, 2004), so that the longer a local manager stays in one environment, the less new knowledge the local manager may acquire compared to the early stages.

On the other hand, as expected, the varying cross cultural skills of local managers (hypothesis 5) were found to be significant for the tacit and explicit professional knowledge and cultural knowledge they acquired. Cross-cultural awareness training about the parent company's home culture and expatriates' national cultures has been argued to be among the top four training needs for local managers (Vance and Paik, 2005). Possessing good cross-cultural skill enables local managers to better understand and get along with their expatriate bosses, and to understand and appreciate expatriate

behaviours and values (Vance and Paik, 2005). This, in turn, decreases the likelihood of misunderstanding and miscommunication (Matveev and Nelson, 2004) and eases the two-way knowledge flow, which leads to a higher degree of knowledge acquired by local managers.

In the long run, many companies espouse localisation, replacing expatriates with local managers. In such cases the MNC seeks local managers who can not only work with the current expatriates but also communicate effectively with headquarters in the future. The importance of this experience for local manager was reflected by an expatriate CEO:

*"We are looking for experienced Vietnamese executive managers who have experience with multinational companies and may have worked overseas for a couple of years. Those people will replace me in the near future".*

Despite this, in practice MNCs did not consider the cross-cultural skills of local managers to be important. It is absent from the human re-

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source management agenda of MNCs in both the literature and in practice. The existing literature has persistently focused on the cross cultural skills of expatriates, but this new finding shows the importance of the local managers' cross cultural skills as well.

Openness to learning of the local managers (hypothesis 6) has little impact on the acquisition of professional and cultural knowledge by Vietnamese managers. This result is consistent with the results of the in-depth interviews. Some expatriates are not happy with their local counterparts in terms of the local managers taking the initiative to find and apply new ideas. A Danish Director of DK Engineering Ltd. in Vietnam commented:

*"You have to show them (Vietnamese staff) what to do and how to do it. That is the way to get the best result."*

Another Dane used a metaphor to describe the working ability of the Vietnamese:

*"The Vietnamese are like rubber: you can stretch them as much as you can but once you release them, they will go back to the original form"*.

A General Director pointed out that the openness to learning of local managers may be ascribed to cultural issues:

*"...Vietnamese people at work are characterized by social circles. People will be defensive about their team members in those social circles. We are talking about the social circles that each team becomes. If someone outside that circle criticizes the team, the first reaction is to defend rather than listen to see whether there is something constructive that they can take from that the criticism..."*

This phenomenon can be seen from two perspectives: the cognitive map and the community. Vietnamese systems were strongly influenced by the centrally-planned economy, in which everything was to be directed and decided by the central government. Consequently, this ideology was diffused into the entire society. At work, employees do what managers tell them. In other words, the centrally-planned economy created a cognitive map or mind-set for many Vietnamese, which restricts people taking active roles in learning. May et al.'s (2005) findings on the most effective ways to transfer management knowledge to Russian managers were similar.

The other perspective is that of the community. People within a community tend to be more open with each other, especially in a highly collective culture. A similar pattern has been found in the knowledge sharing behaviour of the Japanese - a qualitative study undertaken by Peltokorpi (2006) shows that the Japanese tend to share knowledge in their homogenous network.

Finally, it is important to note the control variables used in this research. Having a parent company located in the West shows a weak positive association with the professional knowledge acquired by local managers. This means that those local managers working for Western companies acquired more tacit and explicit knowledge than those working for Eastern companies. This can be explained by 'cultural attractiveness' (Phan et al., 2006) which was found to be significant in terms of IJV performance. However, they did not examine how this cultural difference affects knowledge acquisition.

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Local managers' age also has a certain influence on acquisition of cultural knowledge. The older the local manager is, the higher level of cultural knowledge he/she will acquire from their expatriate partner. This may be understood in view of the importance of seniority in Vietnamese culture, especially for JVs in which the appointment of the Vietnamese representative to top management is decided by the Vietnamese parent company, which is usually a state-owned company, and is based on seniority. Senior staff that have been with a company longer have more powerful positions and dare to speak their opinions. This gives them more opportunities to interact with their counterparts and therefore increases their opportunities to acquire cultural knowledge.

## 5. Discussion

Studies on knowledge transfer highlight the importance of types of knowledge and the characteristics of both parties for the effectiveness of knowledge transfer to create organizational performance (Brachos et.al, 2007; Minbaeva et al., 2014; Szulanski, 1996). Our study extends the literature by shifting the focus to local managers and their performance. We also contribute to the literature by grounding knowledge transfer at the individual level where learning actually happens. Theoretically, we extend the model of knowledge transfer by Szulanski (1996) and the concepts of absorptive and disseminative capacities to individual level application. We examined how the individual characteristics of knowledge providers and knowledge receivers contribute to the acquired knowledge of receivers and ultimately to the receivers' job performance. Our findings indicate that, first, the tacit professional knowledge

acquired through interactions with expatriates has a positive impact on the performance of local managers. Second, among two aspects of disseminative capacities of expatriates, international experience by expatriates is useful in knowledge acquisition by local managers while their cross-cultural skills do not have a significant impact. Third, cross-cultural skills are significantly important for local managers in both professional and cultural knowledge acquisition. It is an essential element of the absorptive capability of local managers. Local managers' openness to learning has more impact on acquiring cultural knowledge than acquiring professional knowledge. Experience seems not to be an important element of absorptive capability and does not yield any effect on knowledge acquisition in the study's data.

Overall, the specific characteristics of local managers have a stronger impact on knowledge acquisition by local managers than those of expatriates. This confirms that the capabilities of the receiver are more important for knowledge acquisition than the capabilities of the knowledge provider. Obviously, the dissemination of knowledge from provider to acquirer will not be valuable if the receiver is unable to use it. Even if one source of knowledge is absent, the acquirer can still gain new knowledge from other sources if he or she intentionally seeks it and has the ability to absorb it. This finding fits the assumption in the knowledge transfer literature that the absorptive capacity of the recipient is the most significant determinant of internal knowledge transfer in MNCs (Szulanski, 1996; Gupta and Govindarajan, 2000). The literature, however, did not compare the impact of disseminative and absorptive capacities in

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the same study. Our study is one of the first providing insights on how specific characteristics of an individual knowledge provider affect the actual extent of knowledge acquired by an individual receiver. We were also able to test the impacts of absorptive capacity (Szulanski, 1996,) and disseminative capacity (Minbaeva, 2004) on the knowledge acquisition in the same study with dyadic data.

Although there are some knowledge acquisition studies in Vietnam such as Phan (2008, 2012), they focus on knowledge acquired at the organizational level rather than at the individual level. Findings from our study provide important implications for organizational practitioners, specifically in Vietnam. First of all, our findings suggest that organization professionals should pay attention to the characteristics of both expatriates and local managers in designing expatriate assignments. Our findings suggest that the characteristics of the local managers are more important to the effectiveness of knowledge acquisition than the characteristics of the expatriates. Cross-cultural skills are important for local managers in acquiring knowledge from expatriates. HR managers could develop recruiting and retaining practices to ensure cross-cultural skills in local managers and, for example, provide training and other resources to increase their cross-cultural skills. In the context of the Vietnamese culture, with high collectivism and high power distance index (Hofstede, 1990), practitioners should also consider the importance of age in knowledge transfer. The age of local managers has an important impact on their own cultural knowledge acquisition and he/she may also be able to influence others in a high power distance culture

like Vietnam. In order to promote knowledge transfer organizations should also choose expatriates with rich international experience. This consideration should be given priority, particularly if the organizational strategy is to localize subsidiaries.

Second, our findings confirm that tacit professional knowledge is very important in contributing to local managers' performance. Organizations may take this into account when designing different training activities and platforms to promote tacit knowledge transfer. Coaching and mentoring programmes which require personal contacts would be an example of activities that incorporate tacit knowledge transfer. Training programmes with strategic networking time might also facilitate tacit knowledge transfer (Disterer, 2003).

Third, in the context of Vietnam, our qualitative analysis indicates that expatriates perceived an enormous resistance to change from local staff and that expatriates perceive local managers to have a relatively low level of openness to learning. Practitioners may find ways to improve things by providing training which identifies and explains the natural tendency to resistance to change. Practitioners might also increase local staffs' openness to learning by strategically designed teams cutting across existing social circles. Providing diverse experiences for local staff, such as visits to headquarters or international training opportunities might also increase their level of openness to learning.

## **6. Limitations and conclusion**

Our study has some limitations. The expatriate sample size is relatively small, therefore, future research should enlarge the sample in or-

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der to increase the reliability of the data. Kostova (1999) and Szulanski (1996) noted that the difficulty of knowledge transfer is determined partly by the context or the environment in which the transfer takes place (including the organizational context and the relationship between the source and the recipient). In addition, the measurement of cross cultural skill construct is not strong as we adapted the scale of Cultural Intelligence from Ang et al. (2007) with 20 items and we reduced this to three items due to low factor loading. The more careful treatment of this cross cultural construct should be considered in the future.

This study focuses on the characteristics of the source and the recipient, but not on the organizational context or the socio-cultural environments. Further research should include these factors. We are particularly intrigued by the finding of the insignificant effect of expatriates' cross-cultural skills and experience on knowledge acquisition. That finding needs further investigation, especially in the light of recent arguments that regardless of perceived cultural similarity between host and home countries, expatriates need similar time and process to adjust (Selmer and Luring, 2009). It is suggested that future studies should incorporate cultural identities of participants as a factor in knowledge acquisition.

In addition, there may be vertical relationships among those independent variables; for example, the international experience of expatriates can develop higher cross-cultural skills in expatriates. This study is limited to the investigation of the horizontal causal relationships leading to performance improvement, which is a common interest in MNCs. Future studies should incorporate more comprehensive fac-

tors in order to fully understand which has the most salient impact on knowledge acquisition. Furthermore, the factors included in this study may have different impacts on the knowledge acquired by individuals, depending on the stage of the relationship between local managers and expatriates. The factors may also be of varying importance. For example, the cross-cultural skills of an expatriate are more important in the early stage of a relationship with a local manager (Hippler, Brewster and Hasleberger, 2015). This becomes less important as the two parties work together over time. On the other hand, openness to learning is important for all stages of the relationship. This study only examines learning and knowledge acquisition based on the cross-sectional data and does not include longitudinal data.

Finally, this study mainly uses self-reported, perceptual data. Objective data, or at least data from other sources (e.g. line managers' reviews of local managers' performance) might be more useful. Nevertheless, this study has broken new ground by providing empirical evidence that the specific characteristics of both expatriates and local managers affect the tacit knowledge acquired by local managers based on the dyadic data and the individual tacit knowledge contributes to his or her performance.

In conclusion, our study confirms the importance of tacit knowledge by documenting its significant impact on the performance of local managers. We also confirm that expatriates are an effective way to transfer tacit knowledge in multi-national corporations. In the knowledge acquisition process, the individual characteristics of knowledge receivers are more important than those of knowledge providers.

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## APPENDIX

### Appendix 1: Profiles of participating respondents

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Number of respondents classified by nationalities		
	Number	Percent
Japanese	20	29.9
Western European	9	13.4
Asian	10	14.9
Taiwanese	13	19.4
American and Canadian	8	11.9
South Korean	7	9.0
Eastern European	1	1.5
Total No. of expatriates	68	100.0
Total No. of Vietnamese	109	
Total	176	

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### Appendix 2: Measurement items and validity assessment

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<i>Explicit Professional Knowledge. <math>\alpha = 0.715</math></i>	Loadings
1. I understand the technical issues or knowledge related to specialized fields (marketing, production, etc.)	0.627
2. I understand the new managerial techniques and skills	0.731
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<i>Tacit Professional Knowledge. <math>\alpha = 0.822</math></i>	
1. I understand the procedures and steps necessary to perform/utilize specialized knowledge	0.816
2. I understand the procedures to perform/use those managerial techniques and skills	0.731
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<i>Cultural Knowledge. <math>\alpha = 0.731</math></i>	
1. I understand the foreign cultures and tastes	0.736
2. I understand the values of those cultures	0.787
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<i>Cross Cultural Skills. <math>\alpha = 0.602</math></i>	
1. I am aware of the cultural knowledge I use when interacting with people with different backgrounds	0.729
2. I enjoy interacting with people from different cultures	0.543
3. I change my behavior when a cross-cultural situation requires it.	0.572
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<i>Openness to Learning. <math>\alpha = 0.639</math></i>	
1. I am always willing to listen to new ideas without judgment and criticism	0.578
2. I always take my own initiatives in finding new ideas, making decisions and responsible for those issues.	0.678
3. I am always willing to try out new ways of doing things.	0.603

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*Model Fit: RMSEA= 0.046, IFI = 0.978, CFI= 0.977, GFI=0.915*

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