Expatriation research through the knowledge lens: The value of focusing on the idiosyncratic

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EXPATRIATION RESEARCH THROUGH THE KNOWLEDGE LENS:  
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Abstract - This paper argues that, while assignments are presented in the expatriation literature as a mechanism for the transfer of knowledge, this literature has not adequately confronted the critical issue of defining the knowledge held by expatriates in line with theory clarifying the strategic importance of knowledge. It is proposed that, by defining expatriate’s knowledge by its uniqueness or idiosyncrasy to the firm, we can better integrate the study of assignments with core internal strategic issues for the MNE, as defined by the resource-based view of the firm.

KEY WORDS – knowledge transfer, expatriate assignments, idiosyncratic knowledge

INTRODUCTION

This paper investigates the paradox that, despite the theoretical and strategic importance attached to the intra-organizational transfer of knowledge in multinational enterprises (MNEs) and the omnipresent belief that expatriate assignments possess an inherent knowledge transfer function, the literature examining expatriate assignments has been accused of being in a pre-strategic stage of development and/or lacking theoretical foundation. Reflecting on the causes of these accusations and responding to them, this paper explains how the strategy literature, using the resource-based perspective, has illustrated an important role for human resources in building a firm’s competitive advantage and discusses how expatriate assignments can be examined in this theoretical context. The proposition is forwarded that, while assignments are consistently presented as a mechanism for the transfer of knowledge within an MNE, the literature has not adequately confronted the critical issue of defining the types of knowledge held by expatriates, in line with the appropriate theory.

Resource-based theory specifies that knowledge resources that can be defined as having firm-specific attributes carry the greatest strategic significance because of their part in preserving heterogeneity. In this paper it is proposed that the firm-specificity of the knowledge used by
expatriates might be understood on a continuum from unique knowledge that is highly firm-specific (e.g. knowledge related to the operation of unique technology) to knowledge that is largely portable across firms but applied in idiosyncratic ways within the MNE. In this context, idiosyncrasy refers to both unique knowledge and/or ways of utilizing knowledge that is peculiar to the firm. Following this, it is proposed that as much of the knowledge transferred by expatriates is likely to be characterized by idiosyncrasies. This demonstrates a value-added to the use of foreign assignments in MNEs, relative to other forms of international staffing.

**EXPATRIATE ASSIGNMENTS AND KNOWLEDGE TRANSFERS IN MULTINATIONAL ENTERPRISES**

International business (IB) scholars have argued since early 1970’s that leveraging certain knowledge resources within and beyond a multinational enterprise (MNE) is not feasible absent the transfer of people (Buckley & Casson, 1976). Deliberations of expatriates’ role in knowledge transfers by IB scholars are, in part, rooted in the dominant theory explaining the existence of the MNE as a form of organization. This theory tell us that from the perspective of maximizing returns on intangible assets, the very reason for the existence of the multinational organization is attributable to the ability to leverage intangible resources, competencies and skills across borders more efficiently than markets (Buckley & Casson, 1976, Caves, 1982, Caves, 1971, Ghoshal, 1987, Kogut & Zander, 1992, Porter, 1986, Teece, 1981). To capitalize on any kind of knowledge, the MNE requires a variety of mechanisms to coordinate knowledge resources and ensure their dissemination within these organizationally-complex geographically-dispersed firms (Fahy, 2000). The strategic significance of this cannot be overemphasized, as evidenced by the postulations that competitive and operating conditions are such in a MNE that the ability to link and leverage knowledge is a principle factor that differentiates losers and survivors (Bartlett and Ghoshal, 1989).

With the significance attached to the intra-organizational transfer of knowledge by international business scholars, it is not surprising that a large body of literature has been dedicated to
the study of a management practice used to deploy people and their knowledge resources in the MNE, namely, the expatriation literature. This literature provides extensive knowledge of the international human resource management (HRM) practices involved in international assignments, studying cycles of transfers from selection, relocation and adjustment to repatriation (Brewster, 1997). Much previous research was framed by the endemic references to high expatriation failure rates (see Harzing, 1995), which has driven the prescription of expatriate training, (Black and Mendenhall, 1990; Gregersen and Black, 1996), and/or advice on appropriate expatriate selection processes to avoid such “failures” (Black, 1988; Black and Mendenhall, 1990; Mendenhall and Oddou, 1985; Tung, 1981). However, while not undermining the value of these best practice perceptions, Harzing’s (1995) paper, which convincingly demonstrated that failure rates have been overstated, also raised the question of how failure was being defined in the first instance. This consideration of alternative definitions of success or failure requires researchers to make a parallel consideration of what are appropriate research foci around expatriation. This is not to say that international HRM practices such as cross-cultural training or a systematic selection process for expatriate employees are not important research considerations, but that the study of international HRM practices is not necessarily a pathway to understanding the full organizational value of expatriate assignments to a MNE. This paper, consistent with the assertions that leveraging certain knowledge resources is not feasible absent the transfer of people (Buckley & Casson, 1976), argues that MNEs primary interest in the effective management of expatriation stems from the belief that knowledge transfer is a function of assignments. By examining assignments through the knowledge lens the organizational value of assignments might be better understood.

**KNOWLEDGE TRANSFER AS AN INTRINSIC FUNCTION OF ALL EXPATRIATE ASSIGNMENTS**

While mindful of emerging research that specifically considers expatriate assignments from the perspective of knowledge transfer (see Riusala & Suutari, 2004), this paper first considers how the ubiquitous recognitions of expatriates role in knowledge transfers, so evident in the expatriate literature, can be reconciled with the contention that;
“because there has not been very much research on the role of expatriation in the international knowledge transfer process, there may be a considerable scope for the development of research based on the notion of expatriation as a means of knowledge transfer (Bonache & Brewster, 2001, Downes & Thomas, 2000, Kochan, Batt, & Dyer, 1992, Oddou & Osland, 2003, Welch, 1994)” (Riusala & Suutari, 2004:745).

In contrast to the sentiments expressed here, on review of the expatriation literature, it becomes apparent that despite a paucity of empirical evidence exclusively examining the role of expatriate assignments in international knowledge transfer, the literature advises that the flow of expatriate employees to foreign subsidiaries facilitates the sharing and application of knowledge and expertise in multinational enterprises (Harzing, 2001). To explain the paradox of a scarcity of studies examining knowledge transfer during assignments, on the one hand, and a discernible consensus in the literature that knowledge transfer is a principal function of assignments on the other, the knowledge transfer function must be considered in unison with the other major functions of assignments.

In one of the most comprehensive studies of the role or expatriate employees, Harzing (2001) identified three broad organisational functions of expatriation under which more specific functions could be subsumed: position filling, coordination and control, and management development. Significantly, Harzing’s (2001) study showed that the different functions of expatriation were not equally important in all circumstances, however knowledge transfer was considered to be a reason for expatriation in all circumstances. A number of other authors have demonstrated that the specific function of many expatriate assignments is the transfer of knowledge in various forms including knowledge that is not held locally (Torbiorn, 1994), technical knowledge (Swaak, 1997) technology that requires training (Bender & Fish, 2000), corporate culture, process technology, management skills, knowledge about products, processes, financial skills market skills etc (Grosse, 1996, Riusala & Suutari, 2004). From this discussion it can be concluded that the flow of employees to foreign subsidiaries facilitates the application and sharing of a broad variety of knowledge and expertise thus enhancing the mobility of knowledge in the MNE. Moreover, it can also be argued that while some assignments have a specific function of knowledge transfer, knowledge transfer is a function of all foreign assignments and therefore, knowledge transfer should not be seen as a motivation for
expatriation that excludes any of the other functions of an assignment. Bonache and Brewster (2001) concur with this proposition, stating that the knowledge transfer criterion for choosing expatriation as the MNE’s international staffing policy cuts across several of the other motivations for sending managers on foreign assignments to varying degrees (e.g. coordination and/or management development).

In light of the above, Riusala & Suutari’s (2004) suggestions that there is still considerable scope for the development of research based on the notion of expatriation as a means of knowledge transfer is not only valuable as a study of a discrete function of assignments, but more significantly as the study of the intrinsic function of all expatriate assignments. The encompassing nature of a knowledge-frame for the study of assignments also helps to address criticisms that much of what has been written on expatriation involves the analysis of independent components of practice and is predominantly descriptive and lacking theoretical foundation (De Cieri and Dowling, 1999). These criticisms are compounded by additional accusations suggesting that the literature on expatriation has produced a block of literature still in a pre-strategic stage of development (Taylor et al 1996).

With the theoretical and strategic significance attached to the intra-organizational transfer of knowledge in MNEs established, and with an inherent knowledge transfer function of expatriate assignments acknowledged, why is the body of literature examining expatriate assignments be accused of being in a pre-strategic stage of development or lacking theoretical foundation and more constructively, what steps can be taken to respond to these accusations?

While a full account of the theoretical grounding evidenced in the expatriate literature is beyond the scope of this paper, it is argued that the application of a knowledge-centered approach to the study of expatriate assignments provides a theoretically fruitful strategic evaluation of assignments. Knowledge, both in term of our understanding of the firm and our understanding of the MNE in particular, is the context in which, and measure by which, all organizational practices can be assessed. We posit that theory clarifying the strategic importance of knowledge in firms, and MNEs in
particular, provides a strategic context in which expatriate assignments can be studied. However, while current trends towards the application of a knowledge transfer lens to expatriation research provides a useful starting point, the development of a theoretical frame, which successfully embeds the study of assignments in the theoretical foundations of the MNE and/or integrates the study of assignments with core strategic concerns of the firm, requires more. Embedding the study of assignments in these theoretical grounds first requires a thorough appreciation of what theory tells us about why and what knowledge is strategically important for a firm. A review of insights from the literature on the knowledge-centered approach to strategic management serves this purpose.

**Knowledge-Centered Strategic Management**

This knowledge-centered approach to strategic management, labeled the resource or knowledge based-view, focuses on the uniqueness of firm’s capabilities as factors which give rise to the attainment of profits in excess of competitors (Dosi, Nelson & Winter, 2000). Firm advantage is explained through idiosyncratic and difficult to imitate resources rather than product positioning or management ability to out manoeuvre competitors (Teece, Pisano, & Shuen, 1997). To confer resource based advantage, the heterogeneity within an industry should not only reflect superior productive resources which are limited in supply, but these resources should be such that they cannot be easily imitated by rival firms so that this heterogeneity can be preserved (Peteraf, 1993). This is, in part, driven by the intangible and tacit components of certain knowledge resources in the firm.

Barney (1991) categorizes resources as either physical capital (e.g. plant and/or technology), organizational (e.g. structure and/or co-ordinating systems) or human capital (e.g. experience, judgment and intelligence). The presence of intangible or tacit knowledge is evident in both organizational and human capital resources, which critical in accounting for the heterogeneous knowledge resources at the core of differential firm advantage (Barney, 1991).
Tacit knowledge has been defined as personal and difficult to articulate through language (Polyani, 1966) and as a result is not easily codified or more importantly duplicated by competitors. In addition to these tacit characteristics, organizational and human capital resources may also be firm-specific in nature. The firm-specific nature of resources and resulting heterogeneity comes from the “sticky” nature of these resource endowments meaning their development is time consuming, path dependent, socially complex and context specific, and their trade ineffectual (Teece, Pisano, & Shuen, 1997). Not all a firms’ resources share this complexity but those that do may contribute to the development of a unique source of advantage. Therefore, it can be argued that resources that can be defined as having tacit and/or firm-specific attributes carry the greatest strategic significance because of their part in preserving resource heterogeneity.

Knowledge resources characterized by tacitness and specificity (Reed and DeFillippi, 1990) also create “internal stickiness” in attempts to disseminate knowledge within the MNE (Szulanski, 1996, Teece, 1977, Von Hippel, 1994). This is a consequence of the fact that organizational knowledge and competency is, in part, expressed through the actions of an organization’s human resources and knowledge in organizations involves human action (Droege & Hoobler, 2003). Ultimately, individual knowledge resources are used by firms to build competencies (Teece 1998; Clarke & Rollo 2001).

The paradox that many of the characteristics that make knowledge a valuable and inimitable strategic resource can lead to great difficulties with its transfer inside the firm, has driven researchers examining the most complex forms of organisation, multinational enterprises, to consider this facet of resource-based theory most fervently. Faced with the realization that the reoccurring concepts inherent in the knowledge-centered approach to strategic management such as firm knowledge (Arogote & Ingram 2000; Grant 1996, 1997; Leibeskind; 1996), capabilities (Eisenhardt & Martin, 2000; Teece, Pisano & Schuen, 1997), and their significance in firm advantage, unquestionably place a emphasis on all human resource issues in the context of strategy (Wright, Dunford and Snell 2001),
international business strategists must give greater consideration to the role of their internationally mobile human resources (expatriates) in the execution of strategy across the MNE.

**Knowledge-centered Strategic Management and Expatriate Assignments**

Wright, Dunford and Snells (2001) have suggested that the root of any discussion of human resources’ potential contribution should be an evaluation of human resources in the context of the resource-based view of the firm because the resource-based view gives the discussion an organizationally embedded macro focus and the theoretical and contextual grounding it may be lacking (Wright, Dunford and Snells 2001, Snell et al 2001). Keeping in mind accusations that the literature on expatriate assignments is lacking theoretical foundation (De Cieri and Dowling, 1999), a parallel emerges between Wright, Dunford and Snell’s (2001) suggestions and the application of knowledge as a strategic frame for the study of the expatriate assignments presented in this paper. In addition, a second parallel emerges with Wright, Dunford and Snells (2001) discussion of human resources contribution to knowledge-centered strategy research when the practice orientation of the expatriation literature is assessed within the knowledge frame. Wright, Dunford and Snell’s (2001) argue that the strategy literature using the resource based perspective has illustrated a role of human resources in building a firm’s advantage while providing little insight into organizational or management techniques that could be used to harness or develop such a resource, while the HRM literature has generated ample knowledge on the development of such resources while providing insufficient argument in justification of such an approach in an organizational sense. In the context of a knowledge-based view of the firm, it is necessary to look at the human capital and knowledge that underlies these practices. A focus on practice rather than underlying knowledge, while valuable in a practical sense, its worth is questionable in a theoretical sense (Wright and McMahan, 1992).

When assessing the value of a firm’s resources, both knowledge-centered strategy research and strategic human resource management research confront two critical HR issues: defining the types of knowledge held by human resources and the creation of mechanisms to promote the creation and
transfer of their knowledge (Wright, Dunford and Snells, 2001). In light of this, human resources must be considered both in terms of the knowledge resources they represent and the organizational practices used to ensure their appropriate deployment. These two stipulations are congruent with the resource-based view’s prescriptions for the evaluation of resources; that knowledge resources must be evaluated in the context of their uniqueness and value as well as the organizational capability to leverage them (Peng, 2006). Guided by resource-based theory, the knowledge possessed by expatriate managers must also be defined in this way, with practice understood as a component of the capability to leverage this knowledge. While there can be little argument that the practice of sending people on expatriate assignments represents a systematic form of management designed to deploy individuals’ knowledge resource across the MNE, an understanding of the value and uniqueness of the knowledge being transferred through the practice is also required in this theoretical context.

**Idiosyncratic Knowledge and Expatriate Assignments**

The literature explains that expatriate assignments play a key role in the transfer of knowledge, however, little consideration has been given to the nature of this knowledge. In particular, no direct assessment has been made of the uniqueness or idiosyncrasy of this knowledge, which would provide the most fundamental organizational (and theoretical) justification for this costly choice of international staffing policy. Turning the knowledge lens to focus on the idiosyncratic provides both a revealing assessment of the perceived value of the expatriates’ knowledge and the opportunity to define a common category for the knowledge held by expatriates on assignments. The cost of expatriate assignments is illustrative in this regard.

While the cost incurred by MNEs using expatriates is by no means common across firms, it is universally received that the cost will be well in excess of that which would be incurred using host county nationals. Estimates run as high as an average of three times the expatriate’s domestic salary in addition to all the cost associated with relocation (Harvey, 1983; 1993). The continued use of expatriates in developed countries, where appropriate skills may be available to the firm in the external
labor market, suggests that the strategic benefit, and thus value of expatriate managers, is believed to exceed the costs associated with their deployment for reasons internal to the firm (Lepak, 1999).

The relative value of expatriates to the MNE is likely to increase under certain strategic postures (such as those which emphasize replication across units), however, all international business strategies share one common assumption: that the multinational company is presumed to be able to carry its strategic resources and skills to some degree into international markets to gain greater returns (Tallman and Fladmoe-Lindquist, 2002). As leveraging knowledge is the key characteristic of any global strategy the various models of the MNE assume the MNE possesses what Tallman and Fladmoe-Lindquist (2002) call “unique knowledge-based resources”. This justification for the practice of expatriation requires that expatriates’ knowledge is in some way unique or idiosyncratic to the firm and that, through their posting, they can contribute to coordination across distant units through the transfer of idiosyncratic knowledge from HQ.

The expatriation literature implicitly considers this process when providing an explanation for many of the eccentricities of the international HRM practice. Contributions such as those from Bonache and Brewster (2001), who consider the following perplexities in the context of tacit expertise can be further reconciled when viewed through an idiosyncratic knowledge lens:

“Why [is] the basic source of expatriate recruitment is located in the home country (Torbiorn 1982; Naumann, 1992; Mayrhofer & Brewster, 1996); [and] why expatriates are used even in those markets where there is plenty of skilled labour (Boyacigiller, 1990)” (Bonache and Brewster 145:2001).

An explanation for why the basic source of recruitment is located in the home country of operation and why expatriates are used even in those markets where there is plenty of skilled labor should lead us to reflect on the importance of, not only the tacit nature of knowledge, but also the firm-specificity of the knowledge utilized by expatriates during assignments. With appropriate labor market conditions expertise of a tacit nature could be sourced externally, however, MNEs’ decisions to choose the more expensive staffing choice of expatriation may reflect a conscious or unconscious appreciation of the idiosyncratic characteristics of their expatriates’ expertise.
Resource-based theories tell us that development of organizational skill through resource endowments is in fact dependent on historical conditions, thus skill development is path dependent (Barney, 1991). Even though knowledge is ultimately person bound, organisations provide the physical, social and resource allocation structure that enables knowledge to be shaped into competencies of value to a particular firm (Teece, 1997). This structure, or context, also means that the development of the individual’s knowledge and resultant organisational competencies are dependent on the historical conditions in the firm, social context, and all “preceding levels of learning, … and development activity” (Peteraf, 1993:183). A unique path-dependent development ensures that the most generally applicable knowledge contains, in part, firm-specific elements bound by the historical conditions and social interactions from whence it came. The knowledge possessed by expatriate managers is no exception, and so is always to some degree developed within the context of the firm in which they are employed (or the home country unit from where they have expatriated). Expatriates may well possess general skills and knowledge of value outside their own firm but some proportion of their knowledge, through its path dependant development, is specific to the firm, with its unique historical, administrative, and social contexts, thus, requiring internal recruitment strategies for international postings. Path dependencies indicate that there will always be some degree of idiosyncrasy (or home-unit specificity) in the knowledge possessed by expatriates sent from the home unit of the company. This consideration of specificity provides a more in-depth evaluation of the potential value of the practice of expatriation, not least, because “as human capital becomes more idiosyncratic to a particular firm, externalization may…. incur excessive costs” (Lepak and Snell, 31:1999). It is not possible to fully embed the study of assignments within the theory clarifying the strategic importance of knowledge unless this idiosyncrasy is taken into account.

The proposition that much more of the technical or general knowledge utilized by expatriates during assignments, which was formally characterized as knowledge that could be sourced in the external labor markets, is in fact characterized by idiosyncrasies or are applied in a firm-specific way has not been directly considered in the literature. The firm-specificity of knowledge might best be
understood on a continuum from unique knowledge that is highly firm-specific (for example, knowledge related to the operation of unique technology) to knowledge that is largely portable across firms but applied in idiosyncratic ways within the MNE. Task or industry specific knowledge sourced in external labor markets believed to be firm non-specific, may require varying degrees of investment by the MNE, from none at all, to a level where it is deemed that externalization will incur excessive costs. However, the use of expatriates (particularly in developed countries, where appropriate skills and knowledge may be available in the external labor market), may a-priori reflect the MNE’s belief that the idiosyncratic value of the expatriate’s knowledge exceeds the costs associated with their deployment. Irrespective of any conscious belief or perception of value in the MNE’s decision to use an assignment, demonstrating that idiosyncratic knowledge can be transferred through the process establishes that there is a value-added to assignments relative to external recruitment. In sum, it is proposed that the knowledge transferred by expatriates sent on assignments in MNEs will always be characterized by idiosyncrasies unique to the MNE and by focusing on these idiosyncrasies we can better define the knowledge held by expatriates in line with the theory clarifying the strategic importance of knowledge.

CONCLUSION

The strategy literature, using the resource-based perspective, has illustrated an important role for human resources in building a firm’s advantage and expatriate assignments can be examined in this theoretical context. Although the expatriate literature has not adequately confronted the critical issue of defining the types of knowledge held by human resources sent on assignments in line with resource-based theory, a greater consideration of the idiosyncrasy of expatriates’ knowledge can serve this purpose. As much of the knowledge transferred by expatriates during assignments is likely to be characterized by idiosyncrasies that justify the use of expatriate assignments, researchers are well positioned to define the knowledge held by these human resources in terms of its uniqueness and therefore, value to the MNE. This approach to the study of assignments provides a theoretical frame guided by, and integrated with, core internal strategic issues for the MNE, as defined by the resource-
based view of the firm and provides a most fundamental organizational (and theoretical) justification for the use of expatriate assignments in MNEs.

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