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**The Development of Social Capital for
Knowledge-Sharing Purpose in
Multinational Corporations**

*Symposium proposal accepted by Academy of
Management Annual Meeting August 2007, Philadelphia*

by

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Abstract

Increasingly, firms are investing abroad to protect or augment their resources in general and their core competencies in particular. In other words a substantial proportion of MNCs are no longer simply developing products at home and transferring these innovations to foreign subsidiaries, they are seeking to optimize their global innovative capabilities by incorporating subsidiary-specific advantages in different countries, sometimes engaging in major research at the subsidiary level.

Thus the major challenge for MNCs that contain knowledge-rich foreign subsidiaries is to utilize those resources and capabilities for the MNC as a whole. Resources and capabilities, if efficiently integrated and subsequently reconfigured across the MNE, will lead to significant savings and synergies and therefore increased competitive advantage. However, integration is problematic because the various units of such MNCs are not only embedded in different cultural contexts but have their own business agendas which together lead to silo-mentalities.

While structure has a role to play there is a growing acceptance that one must go beyond structure and develop “network organizations” whereby subsidiaries and corporate headquarters are first and foremost bound together by “social capital”. There is now a substantial research base that supports this view.

However, social capital does not arise of itself. As such the issue at the frontier of MNC research is now not so much whether social capital matters but how to fashion effective “dynamic capabilities” for its development. This symposium will comprise contributions to the development of social capital for knowledge-sharing purposes in MNCs.

Overview of the Symposium

Increasingly, firms are investing abroad to protect or augment their core competencies. (Dunning, 1997). In other words MNCs are no longer simply developing products at home and transferring these innovations to foreign subsidiaries, they are increasingly seeking to optimise their global innovative capabilities by incorporating subsidiary-specific advantages in different countries, sometimes engaging in major research at the subsidiary level (Davis and Meyer, 2004). Thus one can increasingly discern subsidiaries with a developmental capacity, i.e. subsidiaries that not only have the capability to adapt products, but which also have the resources to enhance them or even the capability to single-handedly develop new products (Kuemmerle, 1997). In the latter case it is the subsidiary that is the centre of excellence within the firm for particular products and technologies (Birkinshaw, 1997).

The implication is that for an increasingly significant proportion of MNCs knowledge transfer is not necessarily unidirectional (from corporate headquarters to subsidiaries), but bi-directional, or even multi-directional (cf. Cantwell, 1989; 1994). This notion of the MNC as a knowledge network has given rise to concepts such as “heterarchy” (Hedlund, 1986) and the “transnational” (Bartlett and Ghoshal, 1989).

As knowledge transfer in MNCs is increasingly occurring between “knowledge-rich equals” the concept of “knowledge sharing” is arguably more apposite than knowledge transfer.

However, while the possession of knowledge-based assets endows a firm with the potential to benefit in terms of competitive advantage following their transfer abroad, a distinct capability to transfer or share knowledge efficiently is also required (Martin and Salomon, 2003).

Without this capability knowledge transfer is costly (Teece, 1977) and time consuming, thereby undermining performance (Kenney and Florida, 1993; Martin et al., 1995). However, there is a significant under-specification of the actual mechanisms that enables firms to transfer and share such knowledge (Gupta and Govindarajan, 2000; Foss and Pedersen, 2004)

One compelling line of theorizing and research in regard to knowledge sharing is represented by the social capital approach as developed by Nahapiet and Ghoshal (1998). Social capital comprises those assets that reside in networks of relationships that affect the conditions necessary for knowledge transfer to occur in networks. These networks of relationships represent a valuable resource or “capital” for the organization. Nahapiet and Ghoshal (1998) argue that social capital theory provides a sound basis for identifying the capabilities organizations are uniquely equipped to develop for the sharing of knowledge. Social capital, they contend, increases the efficiency of knowledge transfer because it encourages cooperative behaviour. They propose that differences between firms in terms of knowledge transfer may represent differences in their ability to create and exploit social capital. They distinguish three dimensions of social capital: the relational, the cognitive and the structural.

The relational dimension of social capital refers to such facets of personal relationships as trust, obligations, respect and even friendship which together increase the motivation to engage in knowledge exchange and teamwork. The cognitive dimension refers to shared interpretations and systems of meaning, and shared language and codes that provide the foundation for communication. The structural dimension of social capital refers to the presence or absence of specific network or social interaction ties between units of the MNC and the overall configuration of these ties. All three dimensions of social capital as direct or indirect drivers of

knowledge flows has received empirical support Bresman *et al.* (1999); Hansen and Løvås's (2004); Tsai and Ghoshal (1998).

While social capital is a major antecedent of knowledge sharing within the MNC it is crucial to recognize that social capital does not arise of itself. As such the issue at the frontier of MNC research is now not so much whether social capital matters but how to fashion and initiate effective “practices” and “processes” for its development (Gooderham, 2007). This is illustrated in Figure 1.

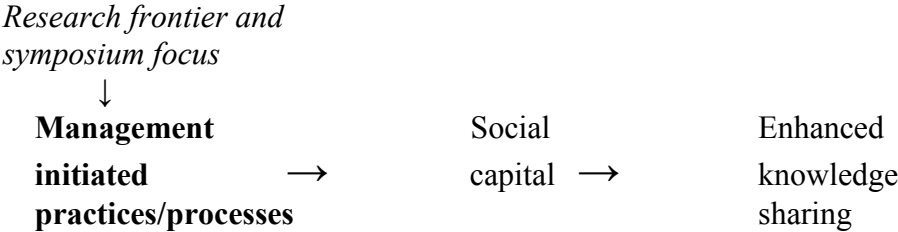


Figure 1 The research frontier and symposium focus.

As such the symposium seeks to provide specific proposals as to which practices and processes ought to be attended to by MNC managers seeking to enhance social capital for knowledge sharing in the face of spatial and cultural distance (Ghemawat and Mallick, 2003) and even conflicting strategic agendas (Forsgren *et al*, 2005). In terms of knowledge this symposium will have its focus on what Kogut and Zander (1992) refer to as “know-how” (as opposed to “know-what”) or what Gupta and Govindarajan (2000) refer to as “procedural knowledge” (as opposed to “declarative knowledge”). By knowledge sharing is meant that some change in knowledge or performance in the recipient unit is involved (Inkpen and Tsang, 2005).

Taken together the research on knowledge transfer within MNCs suggests three sets of practices or processes that may be applied: transmission channels, socialization mechanisms and motivational mechanisms. Examples of transmission channels are dedicated intranet systems and videoconferencing facilities, of socialization mechanisms the use of cross-functional project groups and meetings and of motivational mechanisms the use of tangible and non-tangible rewards.

The symposium is based on a set of six papers by researchers who in varying degrees have been loosely-coupled professionally with one another for about the last five years and who have an intention to push towards a common research agenda. The first paper to be presented by Minbaeva provides a general empirical test of the model in Figure 1 and spans not least the efficacy of various motivational mechanisms. Thereafter the case-based paper to be presented by Kvålshaugen underscores how significant transmission channels in the form of advanced ICT-systems are for the facilitation of social capital needed for cross-border communities of practice. The third and fourth papers are concerned with socialization mechanism. Mäkelä explores the degree to which different types of cross-border relationships facilitate relational and cognitive social capital. Rønning's paper examines design-issues in relation to trans-cultural leadership development arenas as prerequisites for the development of social capital for knowledge sharing. The fifth paper by Lazarova and Taylor addresses the impact of boundary-less careers on the formation of social capital. Finally, the paper to be presented by Fenton O'Creevy and Cerdin deals with the capabilities and skills individual managers must develop for motivating cooperation in other actors by providing those actors with common meanings and identities.

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Paul N. Gooderham, Dana B. Minbaeva, and Torben Pedersen

The promotion of social capital for knowledge transfer in the multinational corporation

Although firms that possess distinctive assets are particularly likely both to enter foreign markets and to do so successfully (Dunning, 1993; Caves, 1996), it should not be assumed that knowledge transfer within multinational corporations (MNCs) is ever unproblematic. In other words while the possession of knowledge-based assets endows a firm with the potential to benefit in terms of competitive advantage following their transfer abroad, a distinct capability to transfer knowledge efficiently is also required (Martin and Salomon, 2003). Without this capability knowledge transfer is costly (Teece, 1977) and time consuming, thereby undermining subsidiary performance (Kenney and Florida, 1993; Martin et al., 1995). Indeed the significance of knowledge transfer capabilities is emphasized in a growing body of research that indicates that organizations that have these capabilities are more productive than organizations that are lacking in them (Inkpen and Tsang, 2005).

Despite the significance of knowledge transfer capabilities for MNCs currently, as Gupta and Govindarajan (2000:474) observe, "...notwithstanding the criticality of internal knowledge transfers within MNCs...very little systematic empirical investigation into the determinants of intra-MNC knowledge transfers has so far been attempted." Hence there is a need to specify the mechanisms or practices that facilitate the promotion of knowledge transfer within MNCs (knowledge governance mechanisms in Foss, 2006). The focus of this paper is precisely on those mechanisms or practices that promote knowledge transfer with the primary aim being to develop a comprehensive model for how management practices can be applied to initiate and promote social capital and ultimately the intra-MNC knowledge transfer.

The model we develop is rooted in the concept of social capital as developed in the theoretical work of Nahapiet and Ghoshal (1998) and Tsai and Ghoshal's (1998) empirical study. Nahapiet and Ghoshal define social capital as "the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit" (Nahapiet and Ghoshal, 1998: 243). In other words in the context of an MNC social capital comprises both the networks of relationships within the MNC and the assets that may be mobilized through those networks. Not least these assets have profound implications for knowledge transfer. Nahapiet and Ghoshal (1998) and, more explicitly, Tsai and Ghoshal (1998) distinguish three dimensions of social capital, the structural, the cognitive and the relational that comprise a model of knowledge transfer in the MNC. While we adopt this model, our model significantly extends their model by specifying those practices that can be developed by MNC managers in order to initiate and promote social capital and thereby knowledge transfer. Currently MNC managers have little guidance as to how they can orchestrate knowledge processes (Foss and Pedersen, 2004). Thus while pursuing our primary aim of developing a comprehensive model of knowledge transfer in MNCs this paper also aims to provide specific suggestions as to which mechanisms or practices ought to be attended to by MNC managers concerned with knowledge transfer.

The data used in the analysis were from the survey which was administered globally in two Danish (competing) firms: Danisco and Chr. Hansen, in 2004 and 2005 respectively. Both of them are leading suppliers of ingredients for food and other consumer products. The firms' product portfolio includes emulsifiers, stabilizers, cultures, and flavors. Both firms are knowledge providers to the food producer's in the sense that they supply ingredients that provide functional systems to food products (like ice cream that is not melting, the holes in the cheese etc.). The knowledge shared in these two firms has the advantage of being

“relatively” easy to codify as it involves a large element of chemistry, which can potentially be codified in formulas etc. This implies that individual drivers of knowledge sharing behavior are particularly important in these firms (rather than the characteristics of the knowledge) making them an excellent setting for testing the model of knowledge sharing behavior. We used perceptual measures for operationalization of all variables in this study, as it was recommended for the studies of human behavior in general (Spector, 1994, Howard, 1994) and widely used in studies on knowledge transfer. Further, using the perceptual measures of individuals allowed us to capture the implemented governance mechanisms in use, instead of intended ones, those designed on a strategic level (Wright and Nishii, 2005).

In line with the theorizing of Nahapiet and Ghoshal (1998) and Tsai and Ghoshal's (1998) empirical study, we found strong relationships among the three dimensions of social capital and their significant effect (both direct and indirect) on knowledge transfer within MNCs. However, our findings are nevertheless somewhat at variance in they suggest that it is problematic to view relational social capital as playing a central role in the sense of functioning as a mediator in indirect relations between structural and cognitive social capital and transfer of knowledge. Compared to the other two dimensions of social capital, our findings indicate that relational social capital is significantly weaker in directly determining the degree of knowledge transfer. In other words our study suggests that an overly pronounced concern with for example achieving trust across the MNC is less critical for knowledge transfer than ensuring the existence of an appropriate structure and culture for knowledge transfer.

We note that of the four sets of management practices socialization mechanisms play a particularly critical role in the development of structural social capital while also having a highly significant impact on the generation of cognitive and relational social capital.

However, we would caution against downgrading the importance of the transmission channels and autonomy-oriented practices because there are not only strong and positive correlations between transmission channels and socialization mechanisms ($r=0.44$; $p<0.01$) but also between socialization mechanisms and autonomy-oriented practices ($r=0.31$; $p<0.01$) thereby indicating potential complementarities between those three sets of practices. Moreover, autonomy-oriented and control-oriented practices are highly and positively correlated ($r=0.50$; $p<0.01$).

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Katja Hydle, Ragnhild Kvålshaugen and Karl Joachim Breunig

Practices for knowledge sharing and knowledge work: Communities of practice and communities of task in global professional service firms

It is argued that multinational organizations need to develop into metanational organizations in order to have success in the future (Doz, Santos, and Williamson, 2001; Santos, Doz, and Williamson, 2004). A metanational organization is a global organization that functions as an integrated company regardless of national borders and subsidiaries. This type of global organization builds competitive advantage by mobilizing globally dispersed knowledge and uses this knowledge to create new products, services, processes and business models (Doz *et al.*, 2001). Doz *et al.* further argue that much of the potential of this widely scattered knowledge remains unexploited because today's multinationals lack the structures, processes, and incentives to leverage this knowledge to full advantage. The means to achieve this transition, they argue, are staffing and management. However, based on an in-depth study of two multinational companies, we argue that the ability to develop into a metanational organization rather lies in the organizational practices of the firm (e.g. Jarzabkowski, 2005; Johnson, Melin, and Whittington, 2003; Orlikowski, 2002; Orr, 1990; Schatzki, Knorr-Cetina and von Savigny, 2001) and the social capital relevant for mobilizing globally dispersed knowledge (e.g. Foss and Pedersen, 2004; Gooderham, 2007; Hansen and Løvås, 2004; Nahapiet and Ghoshal, 1998; Persson, 2006).

The two case firms deliver certification and classification services in a multinational context. Our research focus has been on the daily work in these organizations; the knowledge needed to perform the daily activities; and the extent and the nature of the cooperation both locally, across subsidiaries, and in interaction with clients and other partners. We have followed these

companies for the last four years. Data is collected through storytelling workshops, approximately 100 semi-structured interviews in Oslo, Milan, Glasgow, London, Shanghai, Hong Kong, Shenzhen, Ottawa and Dallas. The research team has also observed several top management meetings and internal workshops. We have also investigated several written documents related to work practices in these companies. Case firm 1 has 300 offices in 100 different countries, with approximately 6 400 employees representing 86 nationalities, providing expert services that are intended to be of the same standard worldwide. Case firm 2 has 18 offices in 11 different countries where one service delivery to one customer can be undertaken at different places by different experts dependent on knowledge, experience, availability and costs. The global services we have studied can be characterized as delivering professional services (Løwendahl, 1997; Maister, 1993), performed by experts (Greenwood, Li, Prakash, and Deephouse, 2005; Løwendahl, 1997; Starbuck, 1992) situated at different geographical places and enabled by organizational collective practices. Both case companies aim at becoming an integrated multinational corporation independent of national borders (a metanational organization). In practical terms this means that these companies want to deliver the services with the same superior quality at all locations regardless of local organization and knowledge. Important tools to achieve these standardized service delivery are training and advanced ICT-systems.

The extraordinary challenge for global professional service companies is to solve problems, perform a multitude of tasks, and undertake client contact far away from where the competent experts and resources are. However, the service performance is perceived by the customer as an integrated delivery. The work practice we have studied is distributed, while continuous and involves an enabling information and communication technology (ICT) infrastructure that allows stationary individuals located at geographically different places to perform the tasks,

share knowledge and learn, e.g. the service initiative may be taken in Italy, while the actual service execution is done in China, and then service is then delivered in Sweden. However, in order to execute the service, the experts in China share knowledge and experiences in how to perform certain tasks with their colleagues in Norway and Korea. This division of labor in the global professional service organization is labeled “Communities of tasks” (CoT). The CoT, which includes the initiation, execution and delivery of the services, can be seen as a relay race. This challenges our understanding of services as co-produced between the client and the service provider (Normann, 1984; Ramírez, 1999). Our results, however, suggest that the customer may be involved in the service delivery process, but may interact with various representatives from the service provider and the scope of the interaction may vary in the different phases of the service delivery process. We argue that the structure and the practices within these relay races are imperative in order to understand how global services can be developed into metanational services. In the paper, we describe in more detail the nature of the relay races.

Practice is understood as “what people do” (e.g. Jarzabkowski, 2005; Johnson et al., 2003; Orlikowski, 2002; Orr, 1990; Schatzki et al., 2001) and the relay races (CoTs) can be seen as the practice arenas in global professional service organizations. Knowledge is created, retained and transferred (Argote, 1999) in these practice arenas through social interaction among different individuals in the global organization and in interaction with clients (e.g. Brown and Duguid, 2001; Handley, Sturdy, Fincham and Clark, 2006; Lave and Wenger, 1991; Wenger, 2000). We label this knowledge sharing practices “Communities of practice” (CoP). Wenger (2000) argues that CoPs are the basic building blocks of a social learning system. The presence of a CoP relies on a sense of joint enterprise between the participants in the CoP, a set of mutual norms and relationships among the actors, and finally a shared

repertoire of communal resources (Wenger, 2000). The joint enterprise in the global professional service firm is the relay races or the CoT. The mutuality can be understood as the depth of the social capital in terms of relational, cognitive and structural dimensions (Gooderham, 2007; Nahapiet et al., 1998). Finally, the shared repertoire in the professional service organizations is to a large extent embedded in advanced ICT-systems. We therefore challenge the traditional view that CoPs basically is a local phenomenon in the organization where people meet face-to-face and interact more or less on a daily basis (Roberts, 2006). However, our findings suggest that well-functioning CoPs even are present when people are separated in space and across time zones. An important facilitator in the interaction is ICT-systems. However, a sense of joint enterprise and social capital (mutuality) need to be present in order to have well-functioning CoPs in global professional service organizations. We explain the nature of these CoPs more in detail in the paper and how the relational, cognitive and structural dimensions of social capital are generated. In particular we will highlight the importance of managing the following mechanisms: transmission channels, socialization mechanisms and motivational mechanisms.

The results of our study suggest that a prerequisite for global division of work is common practices in order to be able to share both knowledge (CoP) and work (CoT). The global professional service firm is therefore dependent both on the quality of the practices of CoT and CoP to gain competitive advantage. CoTs are ensuring customer satisfaction, retention and value creation, while CoPs contribute to knowledge creation, retention and transfer. The global practices, the CoP and CoT are important tools and enablers in order to render the services. Our results suggest that a metanational professional service firm is dependent on CoTs in order to render the services to the customers, while CoPs are necessary for mobilizing dispersed knowledge and learn from experiences in the service delivery.

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Interpersonal relationships as conduits of interunit interaction within multinationals: how well do different types of relationships work?

Issues related to inter-unit interaction have received increasing research attention recently (e.g. Brass et al., 2004; Ghoshal et al., 1994; Hansen, 1999, 2002; Monge and Contractor, 2003; Tsai, 2001, 2002; Tsai and Ghoshal, 1998). The effectiveness of interaction between the different units of multinational corporations (MNCs) has a direct impact on how well the MNC functions, with implications for a number of factors facilitating value creation within the firm. While the current literature has primarily focused on interaction at the aggregate unit-level (Ghoshal et al., 1994; Hansen, 1999, 2002; Reagans and McEvily, 2003; Tsai, 2001, 2002; Tsai and Ghoshal, 1998), there is a growing recognition of the importance of interpersonal relationships as conduits of inter-unit interaction within multinational corporations. As noted some time ago, by Mintzberg (1973), interpersonal interaction between MNC managers during organizational routines is fundamental to the way daily work is conducted.

Consequently, a significant part of the internal interaction in multinational firms occurs when managers communicate across the different units of the MNC during the course of their everyday work. These bridging relationships (Adler and Kwon, 2002; Burt, 1992) cross organizational and geographical boundaries, and in so doing the individuals function as 'boundary spanners' (Kostova and Roth, 2003; Tushman and Scanlan, 2005). This boundary-spanning ability is important as it enables two-way interaction (Nohria and Eccles, 1992) to take place in conjunction with the daily operational work of the MNC, as opposed to more formal means of inter-unit interaction such as top-management visits and meetings, internal conferences and forums, and virtual intranet-based systems, which are more detached.

Furthermore, boundary spanning interaction is particularly relevant for facilitating innovation, which is typically a product of connections in which previously unrelated agents, goods, and knowledge come into interdependence (Amin and Cohendet, 2004; Hargadon and Sutton, 1997).

However, we know very little about what types of interpersonal cross-border relationships are effective conduits of inter-unit interaction within multinationals. The present paper addresses this issue. It explores a range of international personal relationships that might be expected to facilitate effective inter-unit interaction, examines what is known about these options from the literature and develops a series of hypotheses for testing.

Most large multinational companies host a number of different types of relationships between the members of the organization. In fact, the relationships between MNC managers can vary significantly in their intensity and extensity, ranging from virtual relationships where interaction partners have never met each other to interaction in the context of projects and teams or during expatriate assignments.

We identified five potential types of cross-border relationships that might operate in an international organization between colleagues across the different MNC units, on an increasing scale of interaction intensity: non-face-to-face interaction only; face-to-face interaction in meetings; worked together in a short-term project; worked together in a long-term cross-border team; worked together in the same work group during a previous expatriate assignment (these are cast in the past tense as we want to link these with our research approach: clearly that can only explore what has already happened). We defined these categories as follows:

- i) *non-face-to-face contact relationships*, where interaction took place via e-mail and/or telephone only;
- ii) *face-to-face contact relationships*, where interaction took place in meetings in addition to e-mail and/or telephone;
- iii) *short-term project relationships* where interaction took place in the context of short-term cross-border projects through e-mail/telephone and face-to-face meetings;
- iv) *cross-border team relationships*, where interactions took place in the context of long-term cross-cultural teams through e-mail/telephone and face-to-face meetings; and
- v) *expatriate relationships*, where the respondent had worked in the same work group to the interaction partner during a previous expatriate assignment.

The obvious next question, then, concerns whether these different types of relationships have different properties influencing the effectiveness of interaction in them. The effectiveness of interaction refers to the ability of the interaction to create value for the organization, i.e. to facilitate the creation of “novel deployments of resources” through cooperation and exchange (Tsai and Ghoshal, 1998, p. 468). In other words, we are particularly interested in those aspects of relationships that have in previous research been associated with value creation in firms. In an analysis of existing literature, we identified three such aspects. These include the strength of the tie (Granovetter, 1973; Hansen, 1999, 2002), the relational and cognitive social capital embedded in the relationship (Nahapiet and Ghoshal, 1998; Tsai and Ghoshal, 1998), and the level of knowledge sharing within the relationship (Hansen, 1999, 2002; Kogut and Zander, 1992, 1993). In the paper, we review each of these in more detail, and develop hypotheses for how the different types of relationships might differ with regards to each of the aspects.

We present four hypotheses postulating that non-face-to-face contact relationships, face-to-face contact relationships, short-term project relationships, cross-border team relationships and expatriate relationships differ in terms of their strength of tie, relational and cognitive social capital, and knowledge sharing, in such a way that the more intensive types are characterized by higher levels of the above. These hypotheses are tested through an analysis of 518 cross-border relationships, derived from structured interviews of 57 Finland-based MNC managers.

Using a combination of multivariate and univariate tests for group differences, we show that there are significant differences between all the five different types of cross-border relationships in terms of their impact on strength of tie, interpersonal trust, shared cognitive ground and the sharing of knowledge. Furthermore, whilst multivariate differences were found between all five groups, further univariate tests revealed a more fine-grained and a very interesting picture with several subgroups emerging from the data.

The findings suggest that all relationship types have a place in the organization: they are useful for different business areas, needs and situations, and balancing the different types strategically where they matter most should add significant value to the organization. Furthermore, they allow for a number of practical suggestions for organizational and HRM planning.

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Rune Rønning

Negotiation of identity in a transcultural arena as a means to developing social capital in multinational corporations

The dean of Insead, Frank Brown, recently argued that in order to develop transcultural leaders one has to develop an educational arena that is culturally diverse, and that includes opportunities for experiential learning (Brown, 2006). This paper focuses on an event which took place in a transcultural leadership development programme conducted by AFF Consult AS for a Norwegian owned MNE. AFF is part of a research consortium aiming to meet the rapidly increasing needs of Norwegian MNEs for transcultural leadership development that may contribute to generating MNE-wide leveraging of resources and capabilities, thereby achieving enhanced performance in general and knowledge in particular . (see Gooderham, 2006).

In this paper it will be argued that national and organizational culture are intimately linked to the constitution of individual and social identity, and that this is of paramount importance in transcultural arenas within enterprises, particularly when it comes to making sense in interaction and communication (see Weick, 1976, 1995, 2001). Identity formation may be seen as the result of continuous social negotiations, explicit or implicit, intended or not. (Bauman, 2004) (Elias, 1994) (Miller, 1999) (Goffman, 1967)(Atkinson and Housley, 2003)(Bauman, 2004)(Cupach and Metts, 1994). Belonging to a nationality or a group; being a member of an organization, being a representative of a profession must always entail being unique, or at least different from, others. Without a clear awareness of what is me, and what is not me, social interaction becomes very difficult, indeed. I would argue that in social interaction I cannot know who I am until I see my gestures reflected in the other's responses

(Stacey, 2003). Embedded in this view are also the possibilities of power or powerlessness emerging, as well as the possibilities of inclusion or exclusion (Elias and Scotson, 1994) With such important issues at stake for the participant, transcultural encounters could represent dire straits indeed.

We aim to illustrate the risk of such negotiations breaking down temporarily, thus making exploration of diversity and mobilizing resources through networks very difficult. To the extent that this happens diversity and unique resources or contributions are not brought to light, which is to say that mobilization of social capital – in Nahapiet’s and Ghoshal’s definition of social capital in terms of its cognitive and relational dimensions (Nahapiet and Ghoshal, 1998: 243) – does not take place. In short we will describe a transcultural encounter and we will make explicit our reflections upon what took place, always with reference to relevant experiences in other settings and to relevant literature. In this way we will try to make sense of the encounter mentioned initially in terms of identity negotiations and ways of initiating social capital, including how this can be improved upon. In terms of methodology this exploration of the transcultural encounter, mentioned above, may be loosely referred to as “Reflexive Methodology” (Alvesson and Sköldbberg, 2000) or “Reflexive Inquiry” (2005). Theoretically this paper is situated within the framework of interactionism (Atkinson and Housley, 2003), complexity theory (Stacey, 2003) (Shaw, 2002) and social constructionism (Shotter, 1993).

Exploring a conversation in a transcultural leadership development arena:

A leadership development program conducted by AFF Consult some years ago for a Norwegian owned multinational enterprise (MNE) constituted a transcultural meeting over three days at a Czech chateau. The participating managers were from Norway, Denmark,

Holland, The Czech Republic and Poland. The Norwegian CEO of the enterprise, as well as some MDs of Business Units participated. We wish to relate and explore a heated exchange which took place between the Norwegian CEO and a Polish MD of a Business Unit.

Each morning of this three-day session we staged a plenary session called “morning reflections”. Then purpose was to provide an arena for exploring, through relatively open conversation, emerging issues related to different understandings of the practices, cultural differences, priorities, beliefs, world views and values across the MNE. In a sense this is tantamount to exploring, albeit on a very small scale and through a small “window”, the social capital of the enterprise - if this is defined as “the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit” (Nahapiet and Ghoshal, 1998: 243).)

During the second morning reflection the cultural differences became apparent, and quite strong emotions emerged related to the difficulties in sharing experiences and points-of-view in such an arena. The polarities were represented by the Polish and the Dutch participants, being very much “relationship-focused” and “deal-focused”, respectively (Gesteland, 1999) In this “climate” the Polish MD asked the Norwegian CEO whether having these open conversations were very likely to yield results. The day before the CEO had used an example to demonstrate how cooperation and the sharing of knowledge in the enterprise was of the essence but had not been carried out. He now challenged the Polish MD very hard by asking him whose responsibility it was to produce results, and if he wanted others (corporate managers) to make decisions for him. The Polish MD seemed very frustrated and agitated, but withdrew from further conversation, as did the consultants and the other managers in the room.

Two very important issues stand out, at least when it comes to explicit content, first: the issue of integration across the enterprise versus maintaining acceptable local identity, and second: the issue of process versus results in decision making. These issues, however, were overshadowed by the emotions and the drama of the confrontation between the Norwegian CEO and one of his foreign subordinates. Turquet (1994) has observed that the threats to identity seem to be greater in larger groups than it is in smaller ones. And to me it seems as if the potential of loss of face became very important in this rather large group of managers as the conversation very quickly evolved towards underlying themes such as responsibility and lack of it, courage and the lack of it, doing one's job and not doing it. So identity, at least when it came to sustaining an acceptable social face (Goffman, 1967) was very much at stake. To the extent that this happened the exploration of the resources potentially embedded within the diversity among the participants also stopped. In other words: the negotiations for acceptable identities took on such importance, and became so wrought with difficulty that the two important emerging issues could be discussed only with very great effort and at very great risk.

Ways forward

I, and my two colleague consultants, did not succeed in helping this group continue the conversation in this transcultural arena. So for me the most important questions emerging are these: How do we get out of such stalemates? What might we have done differently in our role as consultants? Is it possible to make explicit some guidelines for ensuring that exploration continues in such situations? Could this also be helpful to leaders who encounter similar situations? One obvious risk factor in transcultural arenas, such as the one we have sketched above, is that the sheer complexity of the arena may lead to an elevated level of anxiety which, in itself, often constitutes an obstacle to exploration. The textbook solution to

this problem is for the consultant (and the leader) to provide more structure, which tends to alleviate the anxiety (Miller, 1999). The difficulty, however, is that providing more structure may contribute to the maintenance of what Bion and others (Bion, 1969) have termed a “dependency culture”, where everybody seems to assume that they have come together to be guided and nourished by an all-powerful individual; and where passivity and complaints is the order of the day. This is precisely what the Norwegian CEO reacted to, and attacked, in the exchange we described above. So one of the answers must be to supply, or at least contribute to, a suitable amount of structure, which is enabling in terms of continuing the conversation and the exploration. At this point in time it may not be possible to summarize this into guidelines and teachable practices for transcultural managers. But continuing the exploration is of paramount importance. Thus it seems Frank Brown is correct in arguing that conducting such exchanges in transcultural arenas is very important. I would add that doing so is not so much a matter of teaching managers what to do and how to do it, as it is exploring, and learning, with the managers how learning may be gleaned from such experiences. And finally: how social capital may emerge, be discovered and “put to work”, as it were, through participation in such arenas.

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Mila Lazarova and Sully Taylor

**Boundaryless careers and social capital in multinational corporations:
Implications for coordination and knowledge sharing**

The concept of boundaryless careers has been gaining currency among both academics and practitioners in recent years. The purpose of this paper is to critically assess the utilization of boundaryless careers in MNCs through the lens of how they impact the formation and deployment of organizational social capital and, hence, organizational performance. While past literature has suggested that boundaryless careers can have beneficial impact on organizational social capital, their potential negative effect has received much less attention. We seek to remedy this and examine under what conditions boundaryless careers can enhance or damage social capital in organizations, and particularly, in MNCs. We raise critical issues that can aid in the debate about the positive and negative effects of boundaryless careers in MNCs. First, we extend work on boundaryless careers by drawing attention to important distinctions between internal and external organizational boundary-crossing and their subsequent impact on the formation of organizational social capital. Next, we examine and offer propositions regarding several contingencies that can moderate the desirability of organizational boundary-crossing in the context of MNCs. Specifically, we focus on the moderating impact of type of MNC and type of knowledge the firm pursues. We conclude with a discussion of the implications of our analysis for MNC management, as well as directions for future research in boundaryless careers and organizational social capital in MNCs.

Boundaryless Careers (BCs)

We first address the issue of what is boundaryless careers, as the accepted definition allows for multiple interpretations (Arthur, Khapova and Wilderom, 2005; Briscoe et al., in press; Sullivan and Arthur, in press), and in addition has a general focus on the effects of BCs on individuals rather than organizations. We identify three types of boundaryless careers in the literature: external, internal and psychological. External BCs are those in which actual mobility across organizational boundaries occur. Internal BCs are movements across organizational departments, functions and geographic units in search of increasing individual skill and knowledge sets; and psychological BCs are when individuals have a psychological readiness of being willing to make changes and move to a different employer in order to increase the returns to her human capital. Most research on BCs in the past has concluded it has generally positive outcomes for individuals (e.g., Arthur, 1994; Hall, 2004). We argue that organizations, particularly MNCs, may suffer from BCs due to the impact of different kinds of BCs on organizational social capital formation and deployment.

Social capital

Social capital is defined as the assets that reside in the relationships among people that can facilitates instrumental action (Coleman, 1988; Leana and Vann Buren, 1999). Social capital can be seen as ‘bonding’ or ‘bridging’. Bridging social capital (Burt, 1992) is largely structural social capital (Nahapiet and Ghoshal, 1998), that is, the linkages and configuration of linkages that exist among people in a network. Bonding social capital is focused on the attributes of the social capital, which often include trust, shared norms and understandings, and goodwill (Adler and Kwon, 2002; Putnam, 1995). Bonding social capital is largely equivalent to Nahapiet and Ghoshal’s (1998) relational and cognitive social capital, and is considered a public (organizational) good rather than a private good.

Briefly put, we argue that the creation of organizational social capital is important the performance success of MNCs because of its ability to enable coordination effectively, enable effective trade-offs in the global network, and build common vision and goals (Kostova and Roth, 2003). It also is critical to enabling knowledge creation and sharing (Kogut and Zander, 1996 Tsai and Ghoshal, 1998).

BCs, however, may have damaging effects on the formation and deployment of organizational social capital, including individual structural social capital that could be used to the organization’s benefit. For example, internal BCs are likely to increase all three types of social capital – structural, cognitive and relational – as the individual meets more people, and builds trust and common norms and understandings. Knowing that she will be remaining with the firm encourages the time and emotional investment needed to create this social capital. Psychological BCs and External BCs are likely to dampen the creation and nurturance of organizational social capital, as depicted in figure 1.

	<i>Structural SC</i>	<i>Relational SC</i>	<i>Cognitive SC</i>
<i>Internal boundaryless career</i>	Enhancing	Enhancing	Enhancing
<i>Psychological boundaryless career</i>	Damaging to internal networks Enhancing external networks	Damaging	Damaging
<i>External boundaryless</i>	Damaging to internal networks Enhancing external networks	Very damaging	Very damaging

Figure 1: Factors Moderating the Effects of BCs on Social Capital in MNCs:

We recognize that not all MNCs have equal necessity for high levels of organizational capital. Drawing on Kostova and Roth (2003), we discuss how the degree of resource flows and the interdependency in a MNC, including how complex and dynamic exchanges are, will

influence how important social capital is to firm success. Based on this, we argue (for example) that as the level and complexity of interdependence in the MNC increase, the damaging impact of external BCs will increase so that it is most damaging to transnationals, least damaging to multidomestic firms, and somewhat damaging to global and international firms.

Not only type of MNC, but also the type of knowledge pursued by the firm matters with regard to the potential negative effects of BCs on social capital in MNCs. There are broadly speaking two types of knowledge: exploitative and exploratory (March, 1991). Exploitative builds on an existing base of knowledge, while exploratory is the pursuit of radically new ideas and innovations. In general, organizational social capital will be most useful to firms pursuing an exploitative knowledge, as the establishment of relationships and intense interactions among organizational members will be highly desirable (Moran, 2005; Subramaniam and Youndt, 2005). For MNCs focusing on exploratory knowledge, the picture is more mixed. For example, external BCs can also be damaging, but some degree of external BCs will be welcome as this connects the firm to external networks of new knowledge (Burt, 1997; Obstfeld, 2005).

Implications

The paper discusses several implications for scholars and practitioners. First is the contribution the paper makes to the field of BCs, by providing greater definitional precision. Second, we contribute to the field of social capital by elaborating on the mechanisms through which individual social capital becomes organizational social capital, and why these mechanisms are important to understand for choosing effective career management approaches by firms. Third, we show the links between careers and social capital from the

organizational point of view, which is particularly important to MNCs due to the critical need for organizational social capital to MNC performance.

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Mark Fenton-O’Creevy, Jean-Luc Cerdin and Paul Gooderham

Lost in translation? Developing the skills of sharing knowing within multinational corporations

In this paper we will develop three main arguments. First, accepting that all knowing is situated, it is highly problematic to talk of knowledge transfer within a multinational corporation (MNC) as if knowledge were a ‘thing in itself’ which can be moved from one context (or mind) to another. For this reason, in this paper we will prefer the verb knowing to the noun knowledge. We introduce a model for considering the potential outcomes of attempts to transfer knowing between different institutional contexts. Second, if ways of knowing from one national institutional context are to be useful in another, this will often require a process of translation, which we should see as a process of actively creating new knowledge not the passive transfer of existing knowledge. Third, we will argue that translation is a capability which can be developed and draw on evidence from the literatures on social capital institutional entrepreneurship to outline some of the elements of that capability and methods for developing relevant skills.

Knowing versus Knowledge

However detailed our analysis of knowledge, it is clear that it is not homogenous and that management and professional practice lies at the confluence of many different types of ‘knowing’ which are situated in particular institutional contexts.

Blackler (1995), for example, identifies five forms of knowledge: embodied, embedded, embrained, encultured, and encoded. Other accounts (e.g. Vygotsky, 1986; Lave and Wenger,

1991; DiMaggio and Powell, 1983) emphasize the socially embedded nature of knowledge. Knowing is a social act, the tools we use for thinking and acting, the categories available to us to through which we know are the products of social action and negotiation. The social institutions in which we partake frame the ways we know.

The noun 'knowledge' is too static and too reified to capture some important features we wish to emphasize: knowledge is provisional, in the sense that it changes; knowledge is situated in very particular (institutional) contexts; the interplays between situations and knowledge change. 'Knowing' better captures these provisional, situated and dynamic elements (Fenton-O'Creevy, Knight and Margolis, 2006).

Translation

We want to draw our attention to two key dimensions of variation as we seek to transfer knowing from one context to another. First, as Lozeau et al. (2002) have noted, in any transfer there is always some degree of customisation necessary to the local context (see also Czarniawska and Joerges, 1996). Second, as Kostova and Roth (2002) have noted the extent to which practices and knowing are fully internalised locally versus only superficially adopted, varies considerably; high internalisation being more likely where the local institutional and cultural context is receptive to what is being transferred. Coercive pressures to adopt transferred knowing and practice, in the absence of a receptive local context lead most often to purely ceremonial adoption.

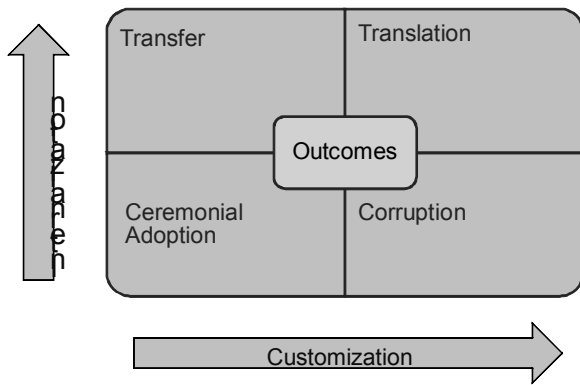


FIGURE 1

This suggests a categorization of outcomes of transfer attempts as we see in figure 1. Where the original context and the context of transfer are highly similar in salient features, we might expect that transfer could be achieved with little customization. Low internalization, though, will lead to a purely ceremonial adoption, where there is no real understanding or internalisation of knowing and practice. Where there is significant customization of knowing and practice, again there may be either low or high levels of internalization. In the high internalization case, significant effort is made to translate knowing meaningfully into the local context. Inevitably this implies a participative approach as new meanings are constructed consistent with the original purpose of transfer. The low internalization case may also be marked by significant efforts at customization, but in this case local efforts are largely directed at co-opting knowing and practice to support the status quo or reinforce purely local objectives.

In the symposium we will expand on this model and the conditions we might expect to lead to each transfer outcome using case study data from a range of organizations.

The skills of translation and developing social capital

We do not intend in this section to provide a complete account of the skills of translating knowing between institutional contexts. That lies beyond the scope of my present understanding. However, there is already much work which points us in the direction of such skills.

In particular the literatures on social capital, on institutional entrepreneurship and on translation provide an effective foundation for understanding the role of individual agency in the creation and modification of institutions.

Nahapiet and Ghoshal (1998) argue that social capital theory provides a sound basis for identifying the capabilities organizations are uniquely equipped to develop for the sharing of knowledge. Social capital, they contend, increases the efficiency of knowledge transfer because it encourages cooperative behavior. They propose that differences between firms in terms of knowledge transfer may represent differences in their ability to create and exploit social capital. They distinguish three dimensions of social capital: the relational, the cognitive and the structural. The relational dimension of social capital refers to such facets of personal relationships as trust, obligations, respect and even friendship, which together increase the motivation to engage in knowledge exchange and teamwork. The cognitive dimension refers to shared interpretations and systems of meaning, and shared language and codes that provide the foundation for communication. The structural dimension of social capital refers to the presence or absence of specific network or social interaction ties between units of the MNC and the overall configuration of these ties.

Accounts of the role of social capital in MNCs (e.g. Gooderham, forthcoming) typically emphasize structural antecedents of social capital and pay little attention to the role of individual skills in developing trust, shared meaning and network ties. The literature on institutional entrepreneurship is more helpful in this regard.

Accounts of institutional entrepreneurship stress the social skills of “[motivating] cooperation in other actors by providing those actors with common meanings and identities in which actions can be taken and justified” (Fligstein, 1997: 398). A key characteristic of affiliates of multinational enterprises is that they typically face multiple, often conflicting institutional pressures. They are embedded within sectors, countries and parent companies. We want to argue that working with such multiple and complex institutional logics is skilled work.

Early accounts of institutional theory leave little role for skilled individual agency. Institutions constrain action and accounts which legitimize action are simply “local recitations of broadly available cultural accounts” (Creed et al., 2002: 477), and “...for the most part we get our worlds ready to wear” (Brown, 1978: 375). However more recent accounts emphasize both the way in which such cultural accounts and logics of action require translation into local settings, and the role of actors in such translation. First, ways of knowing are interpreted as people align new ideas with ideas and values they already know, and create legitimating narratives. Second, knowing is made material as people enact the ideas in concrete actions and structures (Czarniawska and Joerges, 1996).

Creed et al. (2002) have drawn on accounts of social activism to suggest some of the strategies that are useful in mobilizing ideas and meanings. They suggest that institutional entrepreneurs:

Work with multiple contradictory cultural accounts and create narratives about what available institutional logics and cultural accounts ‘really mean’.

Work with key constituents’ sense of identity and the meaning for their identity of adopting ways of knowing

Fligstein proposes a range of tactics that such skilled actors employ. These include: agenda setting; taking what the system will give; framing action; wheeling and annealing; brokering; networking; recognizing and working with power structures and aggregating interests (1997: 400-401). To these skills we might reasonably add something like anthropological imagination: the ability to step at least partly outside one’s own cultural frames.

In the symposium we will expand on these skills, the evidence for their importance and methods by which they might be developed.

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Appendix

Session format

The symposium is divided into three parts. The first is devoted to setting-the-scene, the second to developing new insights and the third to discussion.

First, after a brief introduction by the Coordinator of the symposium outlining the overall aim of the symposium, that is to analyze how social capital relevant for knowledge-sharing in multinational corporations (MNCs) may be developed, the symposium will start with a paper that provides an overall view of the broad model underpinning it. That is the concept of knowledge-sharing is defined and then the role social capital in its various forms in relation to knowledge-sharing is delineated. Thereafter broad categories of social capital enhancing mechanisms are specified. The validity of the model is then empirically tested in the context of two Danish MNCs. The Chair will then ask the Discussant to make brief comments on this paper before opening for a short round of question-and-answers. Overall this part will take about 15 minutes.

Second, with the foundations of the symposium in place, the symposium focuses in detail on a variety of mechanisms and processes that can enhance the development of social capital within the setting of MNCs. The Chair will allocate the presenters 7-8 minutes each to present their main points. The Discussant will then connect the individual findings linking them to the broad model. This part will take 55 minutes.

Third, attendants of the symposium will then be invited to join the presenters for the discussion.

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