碩士論文
Master’s Thesis

內派管理：將外國子公司員工調回母公司工作。試以三家亞洲公司分析比較
Inpatriation: Integrating Foreign Employees in Home Country
Corporate HQ, a Comparison of Three Asian Companies

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Inpatriation: Integrating Foreign Employees in Home Country Corporate HQ, a Comparison of Three Asian Companies

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This thesis is dedicated in loving memory of my father, who unfortunately passed away a few days before my oral defense and did not have the chance to see me graduate.
Abstract

Inpatriation: Integrating Foreign Employees in Corporate HQ. A Comparison of Three Asian Companies

By

Israel Gogol

The globalization of business created a growing demand for internationally capable managers. Due to difficulties in “traditional” international assignments where home country employees are sent abroad (expatriate model) companies are looking for alternatives. One of these alternatives is inpatriation, which involves the transfer of subsidiary managers to the HQ and thus creating international diversity. Inpatriation was chosen as there is a smaller body of knowledge in the field which this paper can advance further.

3 Asian companies and their HRM strategies are compared: Toshiba, Samsung and Acer. Each company implemented a different type of inpatriation and the respective benefits and downsides are contrasted and discussed. The final chapter includes policy recommendations that point to the recommended courses of action for Chinese and Taiwanese companies who wish to internationalize their business operations and become global players.

Keywords: HR management, Expatriation, Inpatriation, Strategy, Business Internationalization
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Preface

Internationalization of world business is not a new phenomenon. International trade has been prevalent for centuries; however, our times have seen a tremendous increase in both scale and scope of international business and what was once an incremental process has become an immediate course of action for many companies who are now coined “born globals”.

Incremental internationalization sees internationalization as a sequential process in which a company first exports from its home country to the most geographically and psychologically proximate countries. Initial success with “similar” countries starts a learning process in which managers’ growing experience and knowledge of foreign markets creates the confidence needed to expand to other farther markets (Daniels, Radebaugh, & Sullivan, 2013, pp. 531-532).

The “born globals” perspective holds that some companies initiate international activity from their inception. The born globals regard their domestic market as just one of many opportunities in the world. A key characteristic of born globals is the role of their executives who take a global focus from the outset and intentfully embark on rapid internationalization. These firms take advantage of technological advances and ongoing globalization of markets, falling trade barriers, growing demand for specialized products and the improvement in communication technologies and begin operating internationally from inception (Daniels, Radebaugh, & Sullivan, 2013, p. 532).

China can serve as a compelling example to the rapid pace of business internationalization. As the Chinese economy grows and advances we see more and more Chinese companies moving outward and operating in foreign locales or acquiring foreign firms. By the end of 2005 there were more than 6426 Chinese firms operating in 163 countries. In 2005 outbound acquisitions
amounted to 6.5$ billion, 1900% more than in the year 2000. (Rui & Yip, 2008, p. 213).

In 2010 China’s outward FDI reached 68.81 billion US$, a tenfold increase from 2005 within 5 years only. At the same time the number of Chinese businesses operating overseas doubled to 13,000 operating in 16,000 overseas enterprises in 178 countries. (Ministry of Commerce and State Statistics Bureau).

Technology makes it easier for executives at HQ and subsidiaries to track global conditions and local performance in real time. Collectively, email, VOIP teleconferencing and other technologies help multinational corporations to respond to a new state of “globality” in which “business flows in every direction. Companies have no centers; “the idea of foreignness is foreign”. The interdependency of activities requires the executives running headquarters to understand the subtleties of country operations and the executives running subsidiaries to understand global imperatives. (Daniels, Radebaugh, & Sulivan, 2013, p. 608).

Internationalization has become a way for corporations to achieve competitive advantage. Many companies succeed in internationalizing their activities but fail to create sustainable competitive advantage.

Business internationalization brings with it the challenges of cross-cultural communication. Adjusting to a new business environment, new cultures and overcoming language barriers. In reality, the values and outlook of managers, especially those from culturally dissimilar countries often differ. Different values impose boundaries that undercut coordination and control systems. Therefore managers use a variety of techniques to preempt these threats. Many advocate arranging closer contact among managers from different countries to unify values. Cross-national teams are a prevalent tool. Developing consensus depends on members engaging common values rather than mechanical compliance with coordination routines or control codes. (Daniels, Radebaugh, & Sulivan, 2013, p. 628).
In this paper I shall discuss Cultural diversity as a way of gaining competitive advantage and the use of Human Resource Management (HRM) strategies of expatriation (sending managers from home country to host country) and in-patriation (bringing in foreign employees to the corporate HQ) as a way to increase the success of internationalization processes. I shall also try to point to recommended courses of action for Chinese and Taiwanese companies who wish to internationalize their business operations and become global players.
Chapter 1: Internationalization and Competitive Advantage

1.1. Competitive Advantage Building Blocks

A company has a competitive advantage over its rivals when its profitability is greater than the average profitability of all companies in its industry. It has a sustained competitive advantage when it is able to maintain above-average profitability over a number of years. The primary objective of a firm’s strategy is to achieve a sustained competitive advantage, which in turn will result in superior profitability and profit growth. (Hill & Jones, 2010, p. 74).

Competitive advantage is based on distinctive competencies. Distinctive competencies are firm-specific strengths that allow a company to differentiate its products from those offered by rivals and/or achieve substantially lower costs than its rivals. Traditional Strategic Management literature sees distinctive competencies arising from two complementary sources: resources and capabilities.

Resources refer to the assets of a company both tangible and intangible. Tangible resources are physical entities, such as land, buildings, plant, equipment, inventory, and money. Intangible resources are nonphysical entities that are created by managers and other employees, such as brand names, the reputation of the company, the knowledge that employees have gained through experience, and the intellectual property of the company, including that protected through patents, copyrights, and trademarks. Resources are particularly valuable when they enable a company to create strong demand for its products, and/or to lower its costs. Valuable resources are more likely to lead to a sustainable competitive advantage if they are rare, in the sense that competitors do not possess them, and it is difficult cult for rivals to imitate. (Hill & Jones, 2010, p. 75)
Capabilities refer to a company’s skills at coordinating its resources and putting them to productive use. These skills reside in an organization’s rules, routines, and procedures, that is, the style or manner through which it makes decisions and manages its internal processes to achieve organizational objectives. More generally, a company’s capabilities are the product of its organizational structure, processes, control systems, and hiring systems. They specify how and where decisions are made within a company, the kind of behaviors the company rewards, and the company’s cultural norms and values. Capabilities are intangible. They reside not so much in individuals as in the way individuals interact, cooperate, and make decisions within the context of an organization. Like resources, capabilities are particularly valuable if they enable a company to create strong demand for its products and/or to lower its costs. (Hill & Jones, 2010, p. 75).

Four factors help a company build and sustain competitive advantage: superior efficiency, quality, innovation, and customer responsiveness. These 4 factors are interrelated and influence each other, customer responsiveness leads to innovation, efficiency supports quality etc. Each of these factors is the product of a company’s distinctive competencies. These factors can be considered generic distinctive competencies because any company, regardless of its industry or the products or services it produces, can pursue them (Hill & Jones, 2010, p. 85).

Given that all companies are trying to pursue the same methods to achieve competitive advantage, a key challenge facing firms is sustaining their competitive advantage over their competitors over time. This depends on three factors: barriers to imitation, the capability of competitors, and the general dynamism of the industry environment (Hill & Jones, 2010, p. 95).
1.2. How to Stay at The Top?

Sustaining competitive advantage over time is one of the toughest tasks facing companies. In the next section I shall discuss the case of Japanese firms that have internationalized their operations successfully, but failed to sustain that internationalization over time.

Researchers J. Stewart Black and Allen Morrison have followed the rise and fall of Japanese companies from the 1970s to the 1990s. Their conclusion is that Japanese firms have been unable to transform the cultures and processes that propelled their early export-led growth into those needed for global leadership. (Stewart Black & Morrison, 2010, p. 99).

There is no doubt that Japanese firms have been successful in pursuing and achieving competitive advantage in the 1980s and the 1990s. This rise is attributed by Stewart Black and Morrison to 4 key factors:

- **Way of doing business** - Because Japan is a large, unvaried market, Japanese corporations were able to develop substantial asset bases that allowed them to achieve economies of scale and drive down costs while maintaining the high quality that Japanese customers demanded. Over time this provided a powerful export value proposition. In building these efficient manufacturing platforms, Japanese firms created strong corporate policies, practices, thinking, and behaviors, which improved and reinforced their business models. However, while their ways helped Japanese companies grow exports, they hurt the firms’ new operations in foreign markets. Many Japanese executives assumed that the key to success abroad was replicating Japanese practices in their foreign affiliates. To achieve this, Japanese corporations typically
sent large teams of experts in The Way overseas rather than hire executives with experience in those markets. (Stewart Black & Morrison, 2010, p. 100)

- An isolated domestic market - Over the decades, Japanese companies have faced little competition from foreign rivals inside Japan. Foreign direct investment (FDI) in Japan was between 0.2% and 0.3% of GDP from 1970 through 1995. In 1976 the number of foreign firms in Japan was 1,101; in 1995 it was 1,421—an increase of just 320 companies. This domestic market isolation had its drawbacks as Japanese companies moved overseas. Competing with foreigners primarily via exports provides few insights into what capabilities are needed for direct “hand-to-hand” combat with them. In their home countries competitors possessed a level of expertise and sophistication that was unknown in Japan. (Stewart Black & Morrison, 2010, p. 100)

- A homogenous labor force - a homogeneous and contentious workforce is a great advantage when working to standardize products and processes, improve quality, reduce defects, and cut costs. Japanese labor is extremely homogeneous. The country has no significant ethnic minorities or local dialects and very little immigration. Foreign born residents make up about 1.7% of the population. In comparison, foreign-born residents in Germany and the USA are about 13%. Moreover, the union structure in Japan, which is enterprise-based in contrast to the industry-based and national union structures typical in the U.S., Canada, and Europe, has kept union interests aligned with those of companies. But a uniform and cooperative labor force at home does nothing to prepare a company for managing the diverse and often combative workforces in foreign countries. (Stewart Black & Morrison, 2010, p. 101).

- A homogenous management team - Japanese companies’ ability to build strong business models and cultures owes a lot to cohesive and homogeneous leadership. For
instance, at top exporter Matsushita Electric (now Panasonic) during the 1980s and 1990s, senior management teams were entirely Japanese. Virtually all those executives had graduated from one of four universities and then spent their entire careers at Matsushita. In the 68 Japanese firms on the 2009 Global 500, nearly 98% of the listed corporate officers were Japanese. Only Nissan and Sony have increased the role of non-Japanese executives over the past 20 years. (Stewart Black & Morrison, 2010, p. 101)1

1 Arguably Nissan’s diversity was forced on the company when, as a condition for an infusion of cash by their French partner Renault.
1.3. Cultural Diversity and Competitive Advantage

If we examine Chinese and Taiwanese companies according to Black and Morrison’s criteria we can see that both face the risk of following in Japan’s footsteps and fail in sustaining their international achievements.

The following table compares China and Taiwan and their respective risk of businesses failing abroad.

**Table 1: Risk Factors Influencing Chinese and Taiwanese Companies Doing Business Abroad**

<table>
<thead>
<tr>
<th>Criterion / Country</th>
<th>China</th>
<th>Taiwan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Way of doing business</td>
<td>High Risk: Relations with government, competitors, and customers are unique and embedded, and will not travel well (e.g. guanxi networks as a way of doing business, state and party control of businesses and personnel).</td>
<td>Medium Risk: even though the way of doing business is “Chinese” Taiwanese firms do not suffer from the institutional constraints met by Chinese firms (relations with government, state control etc.)</td>
</tr>
<tr>
<td>Isolated domestic market</td>
<td>Low Risk: The Chinese domestic market is no longer isolated, foreign companies are now present in almost all fields and compete with Chinese companies directly in their own territory.</td>
<td>Low Risk: The same as in China, foreign companies are now present in almost all fields and compete with Taiwanese companies directly in their own territory.</td>
</tr>
</tbody>
</table>
Homogenous work force | High Risk: The domestic labor force is fairly homogeneous and lacks power compared with unions in the EU and other regions. | Medium risk: The work force is predominantly Chinese, however Taiwan as allowed large numbers of foreign workers, mostly in labor intensive industries.

Homogenous Management | High Risk: Top management is predominantly Chinese | High Risk: Top management is predominantly Chinese.

Even though Taiwan fares better than China, we see that the risks involved with the way of doing business and work force and management homogeneity, lead us to realize that an additional crucial factor is missing and needed – diversity.

When dealing with international companies an additional factor comes into play, cross cultural communication. Business involves interaction between people, and international business, naturally, involves people from different national cultures. Each and every one of the business functions is subject to potential cultural differences: purchasing supplies, marketing, distribution, dealing with regulators and offering post-sale support. These cultural differences are not limited to dealing with clients only and are evident also “in-house” when a company HQ needs to manage an overseas subsidiary or when 2 subsidiaries located in different countries need to cooperate with each other. Cross cultural communication is therefore especially necessary for companies expanding into new culturally dissimilar markets.

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2 Some Companies do hire foreign nationals for top management positions. Taiwanese Acer had an Italian, Gianfranco Lanci, serve as its CEO from 2005-2011. However Lanci was removed from his post due to different views from a majority of the board members, and could not reach a consensus following several months’ of dialog. Lanci later moved to the ranks of Chinese competitor Lenovo.
One of the ways to gain this capability is by fostering cultural diversity. By bringing together people of diverse backgrounds, perspectives and experiences, companies often gain a deeper knowledge of products and services and how to create and deliver them. (Daniels, Radebaugh, & Sullivan, 2013, pp. 94-95).

Diversity therefore can assist a company achieve competitive advantage by helping it achieve greater customer responsiveness and also sharing ideas that lead to greater efficiency, innovation and quality.

Ultimately almost any distinctive competency can be imitated by a competitor. The critical issue is time: the longer it takes competitors to imitate a distinctive competency, the greater the opportunity the company has to build a strong market position and reputation with customers. The longer it takes to achieve an imitation, the greater is the opportunity for the imitated company to improve on its competency or build other competencies, thereby staying one step ahead of the competition. (Hill & Jones, 2010, p. 96).

An aptitude for cross cultural communication and cultural diversity is difficult to imitate due to its intangible nature. Tangible resources such as buildings and production lines are visible to competitors and can be purchased on the market. Cross cultural know-how is not easily transferable. Technical knowhow can move from company to company with employees, conversely, cross cultural communication is a capability and as such is based on the way in which decisions are made and processes are managed within a company. It is harder for outsiders to discern them and they are not dependent on one person, but is the product of how numerous individuals interact within a unique organizational setting. In such cases, hiring
people away from a successful company as a way to imitate its key capabilities may not be helpful. (Hill & Jones, 2010, p. 97).

Cultural Diversity is difficult to create and to maintain. In the following chapter I will examine a few Human Resource Management strategies that can help foster cultural diversity.
Chapter 2: Knowledge Transfer Frame Work

The previous chapter discussed the role of cultural diversity in creating a competitive advantage for a company with international operations. However, merely having a culturally diverse workforce will not suffice. We should also make sure that there is sufficient communication and knowledge transfer between the different parties. For example: employing Americans in the USA headquarters and Chinese in the Chinese subsidiary is not necessarily a source of competitive advantage. The 2 units need to actively share thoughts and ideas and transfer knowledge between them to gain competitive advantage.

The following chapter will introduce a framework to examine knowledge transfer in multinational corporations. The chapter will also introduce the role of international assignments and international assignees in allowing knowledge transfer within the firm.

2.1. Classification of knowledge: explicit and tacit

Knowledge can be classified as explicit knowledge, that can be codified and written down (for example in user manuals) and Tacit knowledge which requires a middleman to introduce the new information by guidance or by setting an example (Swimming for example is impossible to learn from a user manual and requires another person to serve as an instructor).

Tacit or explicit is a useful distinction to understand the broad categories of knowledge. Tacit knowledge resides in the individual knower. Because knowledge is often acquired over a period of time and through a process of experiences, the knower may have little ability to abstract that knowledge and articulate it in a formal way. Explicit knowledge is knowledge that can be codified and made systematic in a way that can be easily shared by being written down in operating manuals, scientific formulas, computer programs, etc. (Roberts, 2012, p. 13)
The process of converting tacit knowledge into explicit knowledge is expensive, time consuming and depends on the tacit knowledge ability of the other side how to interpret the meaning in the same way. For example, etiquette and manners in a different culture can be written down as rules but still require some tacit knowledge of how and when to use them appropriately. Organizations managing individual knowledge holders may or may not choose to attempt to capture the tacit knowledge of individuals in order to make it explicit. When knowledge is made explicit, it is easier to transfer throughout an organization; however there are limits to an organization’s ability to capture tacit knowledge in an explicit form. Imagine, for example, managers in a firm with extensive knowledge of an overseas market. While the firm could commission the managers to develop some helpful instructions and manuals for others to follow, it is unimaginable to attempt to codify all of this socially embedded knowledge into explicit instructions. (Roberts, 2012, pp. 25-28)

Since tacit knowledge can only be transferred from one context to another via a knower, the role of human resources in the transfer of this type of knowledge is extremely important. For multinational corporations, the firm’s knowledge, and the efficiency by which it is created and transferred internally, is a main source of competitive advantage (Roberts, 2012, pp. 28-29).

It is clear that the knowledge that is brought into a firm by new employees is tacit knowledge. Explicit knowledge would be purchased by a firm as a product. For example, a domestic firm could purchase foreign technology in the form of hardware or software. Unlike explicit knowledge which can be codified and transferred without regards to context, tacit knowledge is understood by individuals who are embedded in situations, which are embedded in
organizations, which are embedded in societies. (Roberts, 2012, p. 30).

In this context it is noteworthy to mention aerg er and acquisition of foreign firms as another example of acquiring tacit knowledge. In an M&A the acquiring company doesn’t only retains tangible assets like production lines and equipment but can also tap into the acquired firms tacit knowledge embedded within its employees, work procedures, market knowledge etc. In that sense a M&A is the quickest way for a firm to acquire knowledge.

Because so much of an individual’s knowledge is embedded in a context which has taken-for-granted routines and techniques, it is often impossible to explicitly codify that knowledge in a way that can be transferred beyond the environment in which it was created. The way in which organizations are ‘organized’ shapes and partially determines knowledge. This can make it difficult to explicitly transfer knowledge into an organization that operates in a different institutional environment. Since tacit knowledge is socially embedded, it very often requires an understanding and appreciation of the society in which it was developed. Thus, tacit knowledge that “is deeply embedded within the context in which it was created tends to be resistant to both movement and receipt”. (Roberts, 2012, p. 31)

Flowing from the idea that tacit knowledge can be socially embedded; a further distinction can be made within tacit knowledge by considering the degree to which tacit knowledge could, even theoretically, be made explicit. Some types of knowledge remain tacit because it is far too complex for people to make use of the knowledge in its explicit form. Often the complexity of this knowledge makes it impractical to be used by human actors in its explicit form. An apprenticeship model of learning often typifies this type of tacit knowledge. It is not so much that the knowledge of the skilled trade could not, at least theoretically, be made
explicit; it is that the complexity of the tasks involved would make the following of explicit instructions an overly complex task for a person to process and act upon. On the other hand, there is knowledge which cannot be made explicit. Some knowledge has to be known tacitly “because it is located in the human collectives and, therefore, can never be the property of any one individual”. This is collective tacit knowledge. Such knowledge comes about through a series of historically embedded human experiences, and thus cannot be decomposed into parts (Roberts, 2012, p. 31)

Apart from being divided into tacit and explicit, knowledge can also be classified as independent or collective. Independent knowledge is knowledge which has existence independent of human actors.

The following table is a representation of the continuum between tacit and explicit knowledge and the continuum between independent knowledge (knowledge of things independent of human societies) and collective knowledge.

**Table 2: Tacit and Explicit Knowledge Matrix**

<table>
<thead>
<tr>
<th>Tacit</th>
<th>Technical knowledge (e.g. engineering and finance, know how)</th>
<th>Social knowledge (managerial, cultural, market knowledge)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Socially collective</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Explicit</td>
<td>(limited) videos and training materials like stories and articles explaining social phenomena</td>
<td></td>
</tr>
<tr>
<td>----------</td>
<td>------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
</tbody>
</table>

The bottom left box shows independent explicit knowledge. This knowledge can be imported into the organization in an explicit form. The purchasing of ready to use technologies, such as software, would typify this type of knowledge. This knowledge requires low interaction intensity meaning that it can be transferred with minimal involvement of other human actors.

The top left box shows knowledge that is independent tacit knowledge. This is knowledge that is brought to the organization by individuals as tacit knowledge simply because the complexity of that knowledge is too great to be made explicit. The top right box shows socially collective tacit knowledge. This knowledge is brought to the organization as tacit because the performance or demonstration of that knowledge involves a deep knowledge of socially embedded conventions. There are limits on making such knowledge explicit because it is rooted in historically embedded human experiences. This knowledge requires a high level of interaction intensity.

The knowledge in the bottom right box is explicit socially collective knowledge. Collective tacit knowledge can have some aspects that can be made explicit. Manuals on how to show respect to customers in China compared to customers in the USA can be written to help guide employees. The point remains that making collective knowledge explicit has strict
limitations. (Roberts, 2012, pp. 31-34)

The table shows us that knowledge transfer of collective knowledge and independent tacit knowledge is difficult and requires human interaction. Since knowledge is a key resource for firms, if firms are able to manage knowledge well, then the more depth and diversity of knowledge that individuals bring to the firm, the more resources the firm has to exploit. As diversity among workgroup members’ knowledge sets increases, the workgroup has a richer pool of information and logic to draw from when creating its solution set. If firms can create situations that allow individuals with diverse backgrounds to share their knowledge, they can facilitate richer problem solving searches, which opens the possibility of developing a more optimal solution. (Roberts, 2012, pp. 32, 41)

2.2. Knowledge Transfer: Bears, Bees and Spiders

Having understood the nature of knowledge we can now proceed to discuss international assignments and their influence on knowledge transfer within the MNC.

The initial reason for international assignments is the company’s need for better coordination and control. Researchers Harzing and Reiche use the metaphors of bears, bees and spiders to explain the different role of the international assignees in this context.

The traditional international assignment model is that of expatriation, a parent country manager who is sent to a subsidiary to manage it. Expatriates are employed to provide personal/cultural control in both a direct and an indirect way. They can serve to replace or complement HQ centralisation of decision-making and direct surveillance of subsidiaries by HQ managers. This role is dubbed by Harzing and Reiche “bear control” due to its authoritative nature. Expatriates can also be used to realise control based on socialisation and
the creation of informal communication networks. The role of expatriates in socialisation is referred to as “bumble-bees”. Organizational bumble-bees fly “from plant to plant” and create cross-pollination between the various off-shoots. Weaving an informal communication network is of course the role of expatriates as “spiders”. (Harzing & Reiche, 2010, p. 17).

Bees serve as knowledge transmitters whereas spiders serve as boundary spanners. These link previously unconnected individuals from MNC units. “Spiders” broker between the social ties they have established at the HQ and the social ties they maintain at their home unit. These cross unit ties offer an opportunity to be further used in the future for other cross unit exchanges. (Reiche S., 2011, p. 367). For example, employees may also share their contacts at one unit with individuals from the other unit, either because it is demanded of them or because they expect benefits from doing so. By connecting these previously unconnected individuals with each other, the cross-unit ties become a “public good”. (Reiche S., 2011, p. 372)

The bears, bees and spiders serve as carriers of knowledge between their home and host units. This is mainly due to MNCs’ growing attempts to capitalize on business opportunities in developing and emerging economies. To offset their lack of experience in these culturally and institutionally more distant environments, MNCs face the challenge of accessing and applying local knowledge. While the transfer of people is only one of many mechanisms to initiate knowledge flows in organizations, a large part of the knowledge transferred across MNC units is highly context-specific and tacit in nature. Contextual and tacit knowledge cannot be codified in written documents but requires the knowledge sender and recipient to interact directly in order to adapt the knowledge to the recipient’s context and clarify the meaning. (Harzing & Reiche, 2010, pp. 18-19)
2.3. International Assignments: Expatriates and Inpatriates

The globalization of business created a growing demand for internationally capable managers. In parallel the nature of international assignments changed and more options became available to firms in addition to the traditional expatriation model. The literature quotes several factors that lead to a decline in the willingness to accept assignments abroad. First is the issue of dual-career couples – Where the spouse is unwilling to give up his career while abroad. Second, if in the past an overseas assignment was a chance to travel abroad and see the world, in today’s world international travel is much more accessible, and people can experience other cultures without relocating their families. In addition, sending out expatriates can be very costly. Increasingly, companies are therefore looking for alternatives to expatriation. (Harvey M., Hartmann, Mayerhofer, & Moeller, 2010, pp. 260-261) (Harzing & Reiche, 2010, p. 20).

This has led to the emergence of other types of international assignments: inpatriate, short-term (also called flexpatriate), self-initiated and virtual transfers (Harvey et al, Harzing and Reiche).

Inpatriation - One alternative to expatriation is inpatriation, which involves the transfer of subsidiary managers to the HQ for a specific period of time. This would allow key subsidiary managers to get to know the workings of the parent company and build up informal communication networks. It also allows the HQ to introduce the subsidiary managers into the corporate culture in a more direct way than would be possible by the transfer of expatriates. Inpatriation is also a useful option if tacit knowledge needs to be transferred from subsidiaries to the HQ and it has the added advantage of exposing parent company managers to an international perspective. Harzing and Reiche predict that the use of inpatriates, especially in European and US multinationals, will increase in the future. (Harzing & Reiche, 2010, p. 21).
Despite their similarities expatriates and inpatriate differ along several dimensions:

- **Status differences:** Expatriates possess the status and influence related to their role as HQ representatives. Coming from the MNC’s periphery, inpatriates are, on the contrary, unlikely to receive the same level of respect.

- **Cultural adjustment challenges:** Inpatriates not only need to adjust to the national culture but also need to be socialized into the MNC’s HQ corporate culture. Indeed, learning the HQ corporate culture is considered an important motive for inpatriating foreign nationals. Expatriates, in contrast, often impose elements of the HQ corporate culture upon the subsidiary they are sent to.

- **Different corporate mentality:** The use of inpatriates also increases the cultural diversity and multicultural staff composition at the HQ, thereby fostering a geocentric approach to the allocation of human resources in MNCs. In contrast, the use of expatriates reflects an ethnocentric view towards international staffing.

The following table summarizes the key aspects and differences between expatriates and inpatriates:

**Table 3: Key Aspects and Differences Between Expatriates and Inpatriates**

<table>
<thead>
<tr>
<th></th>
<th>Expatriate</th>
<th>Inpatriate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition</strong></td>
<td>Employees sent by headquarters to work in a subsidiary in a foreign country for a period of time (generally 2 to 5 years)</td>
<td>Employees who are transferred to the MNE headquarters from a subsidiary</td>
</tr>
<tr>
<td><strong>Recruitment</strong></td>
<td>Existing managers within a firm</td>
<td>Managers recruited from</td>
</tr>
<tr>
<td>Knowledge of home country environment</td>
<td>Extensive</td>
<td>Little knowledge</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>-----------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Knowledge of organizational logics and routine</td>
<td>Extensive</td>
<td>Less or Similar</td>
</tr>
<tr>
<td>Knowledge of foreign country environment</td>
<td>Limited</td>
<td>Extensive</td>
</tr>
<tr>
<td>Potential contribution to the organization</td>
<td>Headquarters coordination and control</td>
<td>Transfer of foreign subsidiaries competencies to headquarters</td>
</tr>
<tr>
<td></td>
<td>Transfer of knowledge from headquarters to subsidiary</td>
<td>Transfer of national knowledge endowments from foreign institutional environments</td>
</tr>
<tr>
<td></td>
<td>Access to foreign social networks</td>
<td></td>
</tr>
<tr>
<td>Knowledge transfer</td>
<td>Intra-firm knowledge transfer in wholly owned subsidiaries</td>
<td>Intra-firm knowledge transfer</td>
</tr>
<tr>
<td></td>
<td>Inter-firm knowledge transfer (Inter-firm knowledge transfer)</td>
<td>Transferring knowledge from</td>
</tr>
<tr>
<td>Status</td>
<td>JV &amp; Alliances)</td>
<td>a foreign institutional environment into the firm</td>
</tr>
<tr>
<td>-----------------</td>
<td>--------------------------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Cultural Adjustment</td>
<td>High – HQ representatives</td>
<td>Lower – Outsiders coming from the periphery</td>
</tr>
<tr>
<td>Cultural Adjustment</td>
<td>Need to adjust to host country culture. Import the HQ culture to the subsidiary.</td>
<td>Need to adjust to both host country culture and New corporate culture</td>
</tr>
<tr>
<td>Corporate Mentality</td>
<td>Ethno-centric : HQ nationals know best what to do</td>
<td>Geo-centric: an integrated and collaborative approach.</td>
</tr>
<tr>
<td>Who uses this method</td>
<td>Vast majority of MNCs deploy expatriate managers</td>
<td>Some MNCs (most often from Europe)</td>
</tr>
</tbody>
</table>

The table above highlights the main benefits and challenges of expatriation VS. Inpatriation. Both ways contribute to knowledge transfer within the organization however inpatriation seems to be more suitable for creating diversity within the MNC. Bringing people from the subsidiaries to the HQ will be more useful in creating diversity for the following reasons:

1. The HQ is where policies and strategies are drafted and decisions are taken. Bringing people to the HQ to take part in the decision making process will ensure that strategies and decisions are formed with a diverse team to begin with, and not just implemented at the subsidiary as the HQ’s fiat.

2. HQ usually sends a limited number of expats per subsidiary (especially if there are many subsidiaries). A limited number of expats is not enough to create the “critical mass” needed for true cultural diversity. However, inpatriation allows HQ to bring relatively more people (even if only a few representatives of each subsidiary) and thus
create this critical mass of people that will allow the MNC to have a more culturally diverse body.

Inpatriation as a strategy of achieving cultural diversity is the topic of this paper and will be explored further in following chapters. Several other forms of international assignments are well worth mentioning.

2.4. Alternatives for Expatriation and Inpatriation

Harvey argues that some expatriates (though this might be true for inpatriates as well) integrate and prefer for various reasons to emigrate to a new culture, while other expatriates prefer to return their family to their home country. Short assignments, cross-border exchanges, or assignments as part of multinational work teams and global commuting are likely to become the preferred modes of global assignment in the future, because they do not require relocation. In particular, the increased use of global task teams as mechanisms for coordination and integration creates more opportunities for a more multinational focus than the more typical fixed-term expatriate assignment. (Harvey M., Hartmann, Mayerhofer, & Moeller, 2010, p. 261). Below is a short description of these additional types of international assignments.

Short term assignments (Also called flexpatriates) - Short-term assignments are an alternative to expatriation that helps MNCs to contain their costs. The literature commonly refers to short-term assignments as postings between 1 to 12 months in length (In contrast to several years for traditional expatriate or inpatriate). The assigned manager is usually unaccompanied by his/her family, thereby avoiding the disruption of relocating entire families. Moreover, selection and preparation procedures for short-term assignments tend to be more informal and ad hoc. Short-term assignments are particularly useful when specific skills need to be
transferred, for example in the scope of multinational project work, or particular problem-solving needs arise or if the destination country has extremely harsh conditions. Apart from the increased cost effectiveness, short-term assignments also require less bureaucratic effort and can be executed in a more flexible and timely manner. At the same time, research has highlighted that short-term assignees may fail to develop effective relationships with local colleagues and customers. (Harzing & Reiche, 2010, p. 23)

Commuter assignments – These are assignments in which the individual commutes from his home unit to a foreign unit on a weekly or bi-weekly basis. These are strenuous assignments for both the employee and his family and therefore are unlikely to be maintained over an extended period of time (Harzing & Reiche, 2010, p. 24). In some cases these commuter assignments can “mature” into relocation assignments where the employee moves his family abroad to avoid frequent travel.

Self-initiated assignments - While the traditional view of international assignments has been to focus on the employing organization to initiate the transfer, a growing number of assignees make their own arrangements to find work abroad, facilitated by the introduction of free movement of labour in the European Union and other economic regions. In contrast to the aforementioned types of assignments, these so-called self-initiated assignees are employed on local work contracts. Research of self-initiated assignees shows that their primary motivation is to move abroad due to an interest in internationalism and poor employment situations at home. Self-initiated assignees tend to see their relocation as a more permanent move. Overall, given the increased need for international and cross-culturally experienced personnel, self-initiated assignments can serve as an additional important complementary staffing option for both domestic and international organizations. (Harzing & Reiche, 2010, p. 24)
Virtual Assignments - Companies have begun to make use of virtual assignments in order to address the needs for decentralization and global integration of work processes, in a more flexible way.

A virtual assignment does not require the individual to physically relocate to a foreign organizational unit but rather distributes international responsibilities between several units. The growth of virtual assignments has been facilitated by improvements in information technology over the last decade to the extent that whole teams now regularly collaborate and communicate via email, telephone and videoconferencing. Despite the many advantages of virtual assignments that often exceed those of short-term assignments, face-to-face communication remains crucial in many circumstances, thus limiting the use of virtual work arrangements. (Harzing & Reiche, 2010, p. 25)

Since expatriation fulfills many roles, these four alternatives are unlikely to completely replace expatriates. However, they are often a cheaper alternative to expatriation, especially in the case of virtual transfers, and it is much easier to involve a large number of managers through short-term postings or virtual assignments than it is through expatriation. Moreover, each alternative form of transfer may also serve distinct purposes that are directly related to the successful operation of the company, which is why they are instruments that should form part of the repertoire of any MNC. (Harzing & Reiche, 2010, p. 25)

This chapter introduced the framework for knowledge transfer in MNCs. Knowledge can be divided into explicit knowledge and tacit knowledge. Whereas explicit knowledge is easily written down and can be transferred from unit to unit tacit knowledge is too complex to convert into an explicit form and requires a human middleman for its successful transfer. The need for human mediation in the transfer of tacit knowledge is especially important when
collective knowledge is concerned. International assignments which transfer employees between HQ and subsidiaries can form a medium for this knowledge transfer. This knowledge transfer can be allegorically referred to as “bear” assignments (authoritative control minded), “bee” assignments (cross-pollination between different units) and “spider” assignments (focusing on creating networks between units). Traditionally international assignments focused on expatriation. However as the need for more and more internationally capable managers grew so did grow the reluctance of employees to uproot their families and move abroad. There are a few other types of international assignments which complement expatriation, inpatriates, short term assignments and even virtual assignments.

Since knowledge is a key resource for firms, if firms are able to manage knowledge well, then the more depth and diversity of knowledge that individuals bring to the firm, the more resources the firm has to exploit. As diversity among workgroup members’ knowledge sets increases, the workgroup has a richer pool of information and logic to draw from when creating its solution set.

Out of the types of international assignments, inpatriation seems to be the one most suitable for firms to create situations that allow individuals with diverse backgrounds to share their knowledge, creating cultural diversity that will assist the firms gain competitive advantage.

The next chapters will introduce some of the obstacles standing in the way of successful inpatriation and will introduce inpatriation as practiced in Korea and Japan as a basis for comparison with Taiwan.

2.5. Limitations of Inpatriate Assignments

In the previous chapters we discussed the motives for inpatriation in MNCs. These include
among others building up relationships with HQ staff, developing future generations of management, learning the corporate culture, fostering communication and exchange between the HQ and the subsidiary, transferring and acquiring market-related knowledge, transferring technical knowledge, and receiving technical training. We have also discussed the nature of the knowledge being transferred and the inpatriates importance in transferring tacit knowledge.

The need for foreign nationals as inpatriates will vary based upon the type of organization and the stage of globalization of that organization. The demand for diversity and the resulting increase in the ‘liability of foreignness’ is related to the need for varying viewpoints and perspectives from globally diverse sources of information. This is of particular importance in situations where there is a need for globally diverse tacit knowledge in order to develop effective strategies for the organization. The greater the cultural distance and the level of difference in economic development between two countries the higher the need for inpatriate input. Moreover, as organizations globalize their operations, the need for a wider variety of input/knowledge will grow. (Harvey, Novicevic, Buckley, & Fung, 2005, p. 9)

Apart from the benefits of inpatriation in diffusing knowledge between subsidiaries and HQ and creating new social networks between the individuals in the HQ and the subsidiaries, we must focus our attention on some of the limitations and problems that can occur. A better understanding of these limitations will help us examine inpatriation case studies and draft policy recommendations.

The obstacles facing knowledge transfer by inpatriates can be examined from 2 perspectives: from the point of view of the inpatriate itself and his attitude towards the company and from
the point of view of the company’s and its attitude toward the inpatriate and his mission.

Reiche defines knowledge transfer from inpatriates to HQ staff in terms of two dimensions: inpatriates’ effort to transfer their knowledge to HQ staff, and HQ staff effort to acquire this knowledge from inpatriates. These two dimensions recognize that both parties in the exchange relationship can make an effort to transfer or acquire knowledge about the inpatriates’ home subsidiary. For example, an inpatriate may take the initiative to transmit information about a typical customer in their home country to HQ staff, or, alternatively, a HQ staff member may ask the inpatriate about the typical customer in their home country. Either way, knowledge transfer has occurred once the inpatriate describes the typical customer in their home country to the HQ colleague. In addition, the knowledge that both parties make an effort to transfer is likely to be tacit and complex in nature (Reiche S., 2011, p. 9).

Knowledge transfer is not automatic but also depends on specific catalysts: the recipient’s ability to utilize the acquired knowledge (commonly referred to as absorptive capacity). For knowledge to be successfully diffused, HQ staff needs to be able to interpret and make sense of the information they obtain from inpatriates. This processing is particularly important in a cross-cultural context, where information entails many culture-specific cues. At the firm level, “absorptive capacity” can be defined as “the ability to recognize the value of new information, assimilate it, and apply it to commercial ends”. (Reiche S., 2011, p. 10)

Further, whether knowledge transfer occurs not only depends on the recipient’s ability to acquire the knowledge but also on whether actors are willing to initiate the transfer. Individual perceptions of absorptive capacity may influence individual knowledge transfer activities. For example, if inpatriates consider the HQ to have low absorptive capacity, inpatriates will less
likely diffuse their subsidiary knowledge to HQ staff. In this case, inpatriates will consider the knowledge transfer to be a waste of time because the knowledge is less likely to be understood by HQ staff. As a result, inpatriates will less likely make an effort to transfer knowledge   (Reiche S. , 2011, p. 2)

Inpatriates differ from parent-country expatriates in various ways. For example, evidence suggests that inpatriates experience substantially different adjustment processes in the host country compared to expatriates. Given their status as outsiders of the MNC parent firm, inpatriates are also likely to possess fewer sources of influence and credibility in the host unit than expatriates. This will make it more difficult for inpatriates to have their unique value for the organization recognized by HQ staff.  (Reiche S. , 2011, p. 6)

Given inpatriates’ status as newcomers to the HQ, HQ staff may not regard inpatriates as credible or valuable sources of knowledge and therefore refrain from making an effort to acquire knowledge from them. Internal politics might also play a role: inpatriates may be tempted not to diffuse certain subsidiary-related knowledge to the HQ to maintain their home subsidiary’s strategic position within the overall MNC network. It is also possible that inpatriates may seek to withhold information from certain HQ colleagues to receive a reputation as subject matter experts from senior management and use this status to ensure their employability within the MNC. Importantly, once inpatriates broker cross-unit ties and transfer their subsidiary-specific knowledge for HQ staff to leverage these cross-unit ties, they effectively reduce their own unique value in the MNC. To maintain their employability, inpatriates may thus feel inclined to keep their unique knowledge to themselves (Reiche S. , 2011, p. 13)
In contrast to expatriates, who represent the home country overseas, the process of acculturation by which the inpatriate becomes a loyal corporate manager requires assimilation into the organization and the parent’s country culture. The inpatriate is expected to become a parent country manager in language and lifestyle, yet play a double role as a host country national when returning to her or his home country. The ability of the inpatriate to meet the expectations of the HQ culture is necessary for the inpatriate to prove worthy of corporate confidence and be accepted. This anticipation can cause stress and conflict among inpatriates. Though expatriates also undergo an acculturation process in a new country, no one expects them to give up on their culture; inpatriates on the other hand must join the dominant culture to be credible (Harvey M., Hartmann, Mayerhofer, & Moeller, 2010, p. 263).

Newcomers to a company might also encounter stigmas and reservation from the existing employees. This is especially true when foreign employees are concerned. Home country employees might ask themselves questions like: “Who are these foreigners? Why are they here? How will they impact my job?” And “When will they go back home”? The resistance toward the integration of inpatriate managers might possibly turn into an unspoken form of ethnocentric stigmatization and stereotyping. If such cultural bias becomes widespread it can impact negatively not only the future contributions of these inpatriate managers but also the image of organizations attempting to infuse diversity into their management. (Harvey, Novicevic, Buckley, & Fung, 2005, pp. 1-2).

An additional consideration is the potential stress on the inpatriate after encountering HQ stigmas and its impact on the inpatriates performance (e.g. low self-esteem, depression, lack of motivation etc.) (Harvey, Novicevic, Buckley, & Fung, 2005, p. 8)
Harvey et al argue that it is questionable how effective inpatriates will be if they were to return to their home country, how much long-term multi-cultural acceptance this will bring to the organization, and whether this is an example of “tacit cultural imperialism”. The end result of this may be to create a singular global business culture rather than one that incorporates different mindsets and evolutionary paths. Harvey supports the use of flexpatriate assignments as a more functional approach if there is a need to understand the dynamics of emerging markets. (Harvey M., Hartmann, Mayerhofer, & Moeller, 2010, p. 263).

An additional consideration is the inpatriate’s will to go back to his home country. When the material/political conditions in the inpatriate’s home country are worse than in the HQ the inpatriate might not be willing to return to his country of origin and will try to find ways to stay abroad, even if it means leaving the company.

The following chapter will discuss several case studies of inpatriation and will try to examine how they cope with these limitations and obstacles.
Chapter 3: Inpatriation in Asia: 2 Case Studies

The globalization of markets presents a difficult challenge for organizations attempting to compete in the global marketplace. In response to global opportunities, organizations are shifting from economies of scale to economies of scope and attempting to develop global mindset through management diversity. The development of a pluralistic global mindset is perceived by some to be the ultimate means to differentiate an organization’s competitive posture on an on-going basis. Pluralism evolves when distinct ethnic, religious or cultural groups and their alternatives views of thoughts, opinions and actions are accepted and tolerated within a society. When a management team recognizes pluralism it indicates the acceptance of alternative thoughts, opinions and actions within the organization’s culture. The benefit of pluralism is that it fosters an environment of mutual respect. Diversity thrives on pluralism when both domestic and inpatriate managers in the pluralistic organization embrace shared norms of cooperation amongst themselves. This shared mindset is conducive to developing alternatives in solving problems, nurturing pride in collaborative work and ultimately, celebrating successes in global initiatives. Furthermore, a pluralistic climate of diversity-based success is ultimately sustained with increased profit and satisfaction of both consumers and employees. (Harvey, Novicevic, Buckley, & Fung, 2005, p. 2)

Newcomers to a foreign country face social and cultural hurdles, this is true both for businesses and individuals. In the international business literature this phenomenon is dubbed “liability of foreignness”. Implementing a structured process to reduce the ‘liability of foreignness ’ would add competitive advantage to an organization. Home country organization should make a sustained effort to reduce the impact of the ‘liability of foreignness’ through recognizing the tendency for home-country nationals to judge
newcomers to an organization on their perceived degree of difference (Harvey, Novicevic, Buckley, & Fung, 2005, p. 8).

Harvey et al. propose a managerial process for addressing inpatriate managers “Liability of foreignness” in home-country organizations. (Harvey, Novicevic, Buckley, & Fung, 2005, pp. 10-12)

It shows the main stages of developing a corporate strategy for the successful inpatriation of foreign managers. First the company must assess its need for inpatriation. This need varies according to the targeted strategic markets and their cultural distance. The greater the cultural/economic distance of between HQ and subsidiaries the higher the probability of inpatriate managers being stigmatized by domestic managers and not accepted by them. Companies should therefore choose the countries where inpatriate managers are recruited from, so that there will be less likelihood of domestic managers stereotyping and stigmatizing incoming inpatriate managers. The next stage should be to evaluate where the organization stands relative to diversity and acceptance of foreigners in the organization. In doing so, human resource management professionals can determine the level of change that must take place or the successful integration of inpatriate managers into the organization. It is obvious that there needs to be a socialization process established for the inpatriate managers to assist them in adjusting to the home-country/organization. For the socialization process of inpatriate managers to be effective, a complementary training program should be put in place for the home-country nationals. An additional effort should also be made to support the successful integration of the inpatriate’s family. Once set in motion, this program should be assessed on a regular basis
The following diagram summarizes this process:

![Diagram of the process]

**Figure 1: Main Stages of Developing Corporate strategy for Inpatriation**

Literature suggests that inpatriation is more common in European MNCs (Roberts 9) (Reiche B. S., 2006, p. 1573) However there is also plenty of anecdotal evidence about inpatriation in Asian firms, large Japanese corporations such as Sony, Toshiba and Matsushita have actively internationalized their top management since the early 1990s (Harvey M., Hartmann, Mayerhofer, & Moeller, 2010, p. 262) (Harvey, 1997, p. 394).

In the following chapter I shall introduce 2 cases of 2 corporations, Toshiba (Japan) and Samsung (Korea) and their use of inpatriation in order to achieve diversity. Japan and Korea
will serve as a base for comparison with Taiwan.

Japan is a good candidate as it is a major power house for international business and an example of an export led economy that ascended to the top but was unable to maintain its leading position. Korea’s Samsung corporation has enjoyed a steady rise in the past few years and is today’s one of the world’s leading brands. Like Japan and Taiwan Korea is an export led economy. Together with Taiwan it is one of the four Asian Tigers and similarly focused on goods manufacturing (unlike Hong Kong and Singapore who focus more on the service sector). This paper will examine the Toshiba’s and Samsung’s international recruitment programs and will compare it to the process suggested by Harvey. Learning from Samsung’s and Toshiba’s experience can serve as a useful guide for Taiwanese companies and help draft policy recommendations.

3.1. Inpatriation in the Samsung Corporation

For two decades now, Samsung has been grafting Western business practices onto its essentially Japanese system, combining its traditional low-cost manufacturing prowess with an ability to bring high-quality, high-margin branded products swiftly to market. Samsung realized this change was needed and that its continued success requires turning away from what made them successful. Samsung introduced a focus on innovation into an organization focused on continuous process improvement. Into a homogeneous workforce, Samsung introduced outsiders who could not speak the language and were unfamiliar with the company’s culture. Into a Confucian tradition of reverence for elders, Samsung introduced merit pay and promotion, putting some young people in positions of authority over their elders. (Khanna, Song, & Lee, 2011, p. 142)
Samsung’s ascent from a low cost manufacturer to a branded company began in the early 1990s. Lee Kun-Hee, Samsung’s chairman, Lee spotted an opportunity in the reluctance of Japanese companies—the analog market leaders—to adopt digital technology, which consumers were flocking to in cameras, audio equipment, and other electronic products. This opened the door for Samsung to surpass its rivals if it developed the agility, innovativeness, and creativity to succeed in the new digital market. For those qualities Lee looked to the West. In 1993, he launched the New Management initiative to import Western best practices related to strategy formulation, talent management, and compensation into Samsung’s existing business model. The aim was to markedly improve marketing, R&D, and design while retaining core strengths in manufacturing, continuous improvement, and plant operations. Execution of this mix-and-match strategy took three broad forms:

• A formal process to identify, adapt, and implement the most appropriate Western best practices.

• Steady efforts to make Samsung’s culture more open to change by bringing outsiders in and sending insiders abroad.

• Intervention by Lee to protect long term investments from short-term financial pressures.

To compete outside its home markets, Samsung would need to move beyond its well-integrated system to engage with non-Koreans in non-Korean contexts. That meant introducing practices inconsistent with the status quo (Khanna, Song, & Lee, 2011, p. 143).

Samsung’s management knew that introducing change will not be easy. New initiatives were carefully measured and if resistance was too strong, the company delayed adoption, modified
the practice, or abandoned it. This careful approach to importing Western business practices (such as performance based compensation) reduced disruption, but also slowed progress. Lee sought to increase receptivity to ideas from elsewhere. This was done in 2 ways: by bringing new people from outside and sending insiders abroad (Khanna, Song, & Lee, 2011, p. 144).

Bringing outsiders in:

Samsung traditionally hired only ethnic Koreans, in order to mediate the cultural gap. However, even these recruitments were met with resistance within the company. Promotions at Samsung had always come from within, the newcomers were perceived to be (and actually were) taking advancement away from existing managers. Not surprisingly, these managers closed ranks, setting the newcomers up to fail by withholding important information, exaggerating their mistakes, and excluding them socially. This reaction was in part justified: At first, some of Samsung’s recruits had a poor grasp of what was expected of them, and sometimes they were actually more junior than the company had intended. What’s more, success is contextual—to some degree. New hires had performed well in their previous jobs because of their familiarity with the system. The tightly knit nature of Samsung’s culture was a separate issue and they did not perform as well. This needed special attention (Khanna, Song, & Lee, 2011, p. 145).

Samsung chairman Lee paid special attention to improve the quality of recruits and their reception. Several changes were made in order to ease the induction of new employees and encourage (and even force) their acceptance by their peers.

Beginning in the early 1990s, Samsung sent international recruiting officers (IROs) abroad to familiarize themselves with foreign talent. And in 2002, Lee made 30% of the annual
performance appraisal of Samsung affiliates’ CEOs dependent on hiring and retaining foreign
talent. Newcomers were eased into the organization by having them serve in an advisory
capacity in their first months to get to know something of their colleagues, the culture, and the
business before taking up their posts. A formal mentoring program was instituted in which
newcomers met with their respective CEO at least quarterly to give and receive feedback
(Khanna, Song, & Lee, 2011, p. 145).

Samsung’s efforts to recruit and retain non-Korean MBAs and PhDs were hindered by
cultural, social, and political tensions, all of which were magnified by the language barrier. To
help assimilate these recruits, Lee in 1997 ordered group headquarters to set up a unique
internal management consulting unit, the Global Strategy Group (GSG), which reports
directly to the CEO. Its members—non-Korean graduates of top Western business and
economics programs spend fully two years in GSG and are required to learn rudimentary
Korean before taking up their posts. Even so, many of them have eventually been assigned to
overseas subsidiaries, usually in their home countries. Of the 208 non-Korean MBAs hired
into GSG since it was created and till 2010, 135 were still working for Samsung as of
December 2010. The most successful are those who have taken the greatest pains to fit into
the Korean culture. (Khanna, Song, & Lee, 2011, p. 146)

The mission of GSG is to “enhance Samsung’s business performance and global reach while
developing a pool of talented global managers that can act as strategic advisers to Samsung
Group executives. The objectives of GSG are:
1. Develop a Pool of global managers. The exposure of professionals within GSG to management within the affiliate companies builds an internal resource of global managers with a deep understanding of Samsung and Korea.

2. Enhance Samsung's Business Performance. The activities of the GSG support the overall business performance of the Samsung Group and contribute to continuous improvement by providing innovative ideas and an external perspective on leading issues.

3. Globalize Samsung. Collaboration between senior management within Samsung and the GSG contributes to the acceleration of Samsung Group’s existing globalization efforts.

(Samsung Corporation)

New GSG members participate in a 2-week orientation session to introduce them to Samsung and GSG history, policies, and practices. This initial 2-week orientation includes visits to Samsung facilities across Korea as well an introduction to Korean culture and history. New Global Strategists have the opportunity to form strong bonds with their classmates and also interact with current members and alumni. Following this 2-week orientation, new Global Strategists also participate in a number of additional training sessions throughout their first 6 months in GSG. These sessions include more detailed introduction to the operations of Samsung Electronics and other Samsung affiliates. Furthermore, functional training covers topics such as problem structuring and project management skills in a Samsung context.

(Samsung Corporation)

As more people from GSG are assigned to different Samsung units, their Korean colleagues
have had to change their work styles and mind-sets to accommodate Westernized practices, slowly and steadily making the environment friendlier to ideas from abroad. Today, Samsung Electronics (the biggest internal client for GSG) goes out of its way to ask GSG for more newly hired employees (Khanna, Song, & Lee, 2011, p. 146).

The Global strategy group is a unique example of inpatriation used to bring diversity and new ideas into the corporation. Though its impact on the company is big, we should consider a few points of critique when discussing it:

- It is a small group of employees (96 employees, (Samsung Corporation)) inside a giant corporation. Samsung is still predominantly ethnically Korean.
- The GSG is a “foreign bubble”, an exclusive group of foreigners who work as consultants for Samsung. Its work is on a per project basis and it doesn’t offer complete integration of foreigners in the company. A GSG consultant will work with a department in Samsung for a few months only; this is not the same as having a full time inpatriate team member.
- Work in GSG is relatively short term – not longer than 4 years (Samsung Corporation). This could be attributed to the tasking lifestyle of consultants but might also stem from an inability to bridge cultural gaps.

Apart from inpatriation, Samsung practices also a unique expatriation model: Samsung’s regional specialist program. Each year for more than two decades, Samsung has sent some 200 talented young employees through an intensive 12-week language-training course followed by one full year abroad. For the first six months, their only job is to become fluent in the language and culture and to build networks by making friends and exploring the country.
In the second six months, they carry out one independent project of their choice. Initially sent mainly to developed countries, in the past 10 years they’ve gone more often to emerging regions, especially China and, most recently, Africa. Like their colleagues who have trained abroad, the specialists come back to major posts at headquarters or in the business units at home and abroad. In those roles they disseminate information about how successful foreign companies operate, and they advocate for and experiment with best practices (Khanna, Song, & Lee, 2011, p. 146).

It is noteworthy to point out the asymmetry between the inpatriation of GSG employees and the expatriation of regional specialists. Both in number of participants and also in the extent of training and time dedicated to socializing into a new culture (this asymmetry is even greater if you take into consideration the opportunity costs of taking leading employees away from their work for 15 months). GSG employees are not given as much time to acculturate into Korean society and HQ working style. Perhaps this could be a point that can improve the success of the GSG in the future.

Similarly to other Asian cultures, Korean culture is a collectivist, hierarchical culture. Coupled with a unique language barrier this creates great difficulties trying to bridge cross-cultural gaps.

This might explain why Samsung and other Korean companies prefer recruiting Ethnic Koreans whose transition into Korean work life is (theoretically) smoother.

Apart from the case of Samsung, other Korean firms are now actively recruiting overseas with an emphasis on recruiting Korean returnees. International returnees are people who have completed post-graduate studies overseas, and then returned to work in their home country.
Expatriates, repatriates and inpatriates are not the only human resource available to emerging market firms that can be used for capturing foreign tacit knowledge. As emerging markets grow and provide new economic opportunities, firms in these countries have an opportunity to benefit from the international knowledge their diaspora can bring when they return home. Because of the number of students from emerging market countries who go abroad to pursue graduate studies, international returnees can be an important human resource for emerging market economies. This extremely large group of highly educated workers can potentially be, if properly managed, a rich source of knowledge for emerging market firms (Roberts, 2012, p. 14).

Returnees are becoming a particularly mobile group in the global war for talent. No longer are firms restricted to recruiting talent from local sources. In his research, Michael Roberts writes that the vast majority of Korean MNEs are actively recruiting overseas—particularly in the United States. Some of the large Chaebols have permanent departments for recruiting and retaining overseas Korean nationals (Roberts, 2012, p. 3).

In a globalized business environment, where success relies increasingly on the ability of firms to recognize and transform external knowledge, these post-graduate scholars represent a potentially powerful resource for firms in emerging markets looking to catch up to their rivals in more developed nations. Upon graduation, these individuals will have been exposed to the latest knowledge in their field. Depending on the activities they engaged in and the time spent immersed in the foreign culture, they will also have developed communication skills and an understanding of the culture in which they have been immersed. In addition, a sustained and long term international experience that is part of completing a post graduate degree in a foreign country often equips these graduates with a more global mindset—which
in turn allows them to compare and contrast cultures and organizational logics. Some Korean firms have two streams for recruiting employees. The regular stream is to hire new undergraduates and post graduates from local universities, which generally happens annually or semi-annually. In addition, employees are hired as ‘special talent recruits’. A large majority of these special talent recruits are international returnees, almost all of whom have a graduate degree from a foreign academic institution. These returnees, even if hired at a more junior level, are paid a premium salary over regular hires, presumably because of the knowledge they bring to the firm (Roberts, 2012, pp. 4-5).

3.2. Inpatriation in the Toshiba Corporation

As we have seen in previous chapters, Japanese companies were among the first in Asia to realize that employee diversity should be used as a means to gain competitive advantage. The main reason for this was the realization that what worked in Japan might not work in other countries.

For example, around the year 2000 the handset divisions of Sharp, Panasonic, Fujitsu, NEC, Toshiba, and Sony tried to expand outside Japan. With the exception of Sony, which formed a joint venture with Ericsson, they all failed. In each case, Japanese expatriates tried to apply what had worked in Japan in key markets such as the U.S., France, and Germany. They didn’t ask for or listen to local insights. As a result they ended up foisting hardware-heavy, stand-alone flip phones with relatively few applications on consumers who didn’t like flip phones and who wanted more software features and PC connectivity (Black & Morrison, 2010, p. 99).

However due to the highly collectivist and hierarchical nature of Japanese society, diversity is
not a prevalent as it is in European and American companies. In the 68 Japanese firms on the 2009 Global 500, nearly 98% of the listed corporate officers were Japanese. In comparison, in large European companies, roughly 20% of the corporate executives are not home-country nationals, and international sales represent 40% of their revenues. American firms are a bit behind. On average, about 50% of the largest U.S. firms’ sales are international, and roughly 17% of their top executives are foreigners (Black & Morrison, 2010, pp. 99-100). This ethnocentrism is also clearly in expatriation of Japanese managers overseas. A survey by Harzing of 601 subsidiaries of Japanese multinational corporations revealed that 76% of them had a Japanese manager in charge, Compared to an average of 30% in European MNCs (Harzing & Reiche, 2010, p. 9).

Inpatriate literature has several mentions of Japanese corporations starting to inpatriate managers starting in the early 1990s (This is also about the same time frame in which Samsung’s started importing western best practices). Toshiba has presented its board with a plan to have host country top managers integrate into the company’s top management and board of directors (Harvey, 1997, p. 394). Similar initiatives were taken by Matsushita Corporation (Panasonic) and Sony (Harvey & Miceli, 1999, p. 340).

The international recruitment program of the Toshiba Corporation is an interesting example. It is distinctly different than Samsung’s and was therefore chosen to serve as a case study.

The goal of the international recruitment program is to “support Toshiba in further enhancing its global competitiveness through globalization and the expansion of overseas businesses” (Toshiba Corporation). Encouraging diversity and innovation, ideal candidates should “Possess effective communication skill with cross-cultural understanding” as well as be
“Flexible to accept different ideas and think from counterpart's viewpoint”. It is interesting to note that one of the other characteristics the recruitment website asks for is “Set the highest priority to compliance and act with an integrity” (Toshiba Corporation). The emphasis on compliance might seem a bit contradictory to “acceptance of different ideas” but this dissonance is prevalent in all corporations. The tension between compliance and acceptance of new ideas is not unique to Japanese companies but is universal.

One of the unique characteristics of the Toshiba international recruitment program is that it targets new graduates who have bachelor or higher degree and willing to live and work in Japan for the long term (Toshiba Corporation). Recruitment begins with recruitment seminars held at universities, Candidates apply for specific positions in Toshiba’s different business units and then undergo 2 rounds of interviews. The first round is held in their home country. Candidates who pass this stage are invited to Japan to visit prospective working locations and proceed to final interviews (Toshiba Corporation).

After acceptance to the program, new employees undergo a comprehensive training program. The goal of the program is to give employees from overseas hired under Toshiba's global employee program all the support they need to make a good start to their careers in Japan. Toshiba provides a comprehensive training package that ranges over such topics as an intensive 6 month Japanese language course, corporate philosophy and management vision, business Manners, cross-culture Team-building, Corporate Philosophy & Management Vision, basic business skills in Japan, management innovation and quality control and more (Toshiba Corporation).

3 NCCU is also host to an annual recruitment seminar by Toshiba.
The talent pool for global recruits is derived from all over Asia. Candidates come from the Philippines, Malaysia, Indonesia, Singapore and Taiwan. The Toshiba recruitment website has several testimonials by Toshiba international employees (Toshiba Corporation). These testimonials shed some light on key features of the training program and acceptance by Japanese colleagues.

All global recruits emphasise the importance of language studies. Language barrier seems to be the most significant barrier for global recruits and they emphasise the benefit of the intensive Japanese course Toshiba provides its recruits.

The Toshiba training program is a thorough one and is important in easing the socialization process of new employees into the company. This is crucial as Toshiba global employees are “truly” inpatriated. Unlike Samsung’s GSG employees, who are a mostly foreign group working with Korean counterparts on short term projects. Toshiba employees are embedded in different business units and cooperate with Japanese colleagues for a long term. This mode of operation also emphasises the criticality and importance of teaching Japanese to new recruits. Naturally there are gaps that need to be bridged but it seems that Toshiba is taking care to assist global recruits and ease their transition. Global recruits are assigned a mentor who is meant to help and guide them in their new organization.

The following table summarizes and compares inpatriation in Toshiba and Samsung:

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<th>Toshiba</th>
<th>Samsung</th>
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<tr>
<td>Inpatriation seen as a strategic goal</td>
<td>Both companies have been striving to internationalize their operations since the mid 1990s and have institutionalized</td>
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<td>global recruitment schemes</td>
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<td>Cultural acceptance of diversity in the home country organization</td>
<td>Both cultures are characterized as highly hierchetical and collectivist</td>
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<td>Recruitment pool of inpatriates</td>
<td>Candidates are recruited from several countries in Asia</td>
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<td></td>
<td>Focus on ethnic Koreans returnees. Foreigners are recruited from select top tier schools.</td>
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<td>Training process</td>
<td>Long and Comprehensive including a 6 month intensive Japanese language course</td>
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<td></td>
<td>A 2 week introductory course followed by mostly on the job training</td>
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<tr>
<td>Direction of knowledge transfer flow</td>
<td>“Bottom up” – foreign recruits are integrated in different units and at different levels and positions</td>
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<td></td>
<td>“Top – Down” – foreigners are recruited to an in-house consulting team setting the strategy for the company.</td>
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<td>Dual socialization for inpatriates and home country nationals</td>
<td>The company assists newcomers to acclimatize to the japanese work environment through a long training process. Newcomers are assigned a mentor.</td>
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<td></td>
<td>Newcomers are assigned a mentor. Over the years the success of the GSG has given its members a good reputation and they are now sought after employees in Samsung’s different units.</td>
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<td>Integration within the</td>
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<td></td>
<td>Returnees are integrated in</td>
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Comparing the two corporations we can see some similarities and differences. Both corporations seem to have a similar starting point. Both are large corporations from with a similar cultural background that started internationalizing their activities more or less at the same time frame. Examining Toshiba and Samsung vis-à-vis the inpatriation process model suggested by Harvey, we can see several notable differences.

Harvey recommends that companies pay special attention to the inpatriate candidate pool in order to minimize the risks stemming from too big of a culture gap. Samsung and Toshiba have taken different approaches to mitigating this risk. At Samsung “international” recruits are kept in a “bubble”: even though they work with many Korean counterparts they work as closed (mostly foreign) group. Toshiba on the other hand goes to great lengths to integrate foreigners in the “front lines”. This is enabled through a long training process that is meant to prepare international recruits to their work in Japan. After having gone through a 6 month long training process candidates are more adept and apt to work in Japan.

These 2 cases can supply us with 3 practical pieces of advice for successful inpatriation:

1. Instituting a mentoring program
2. Language training
3. Explore the option of returnees
Both companies make an intensive use of mentoring. This is in line with Reiche’s research mentioned earlier dealing with a company’s absorptive capacity. Reiche argues that assigning mentors to inpatriates is a signal of inpatriates’ value for the organization, thus further encouraging both parties to engage in knowledge transfer (Reiche B. S., Knowledge transfer in multinationals: the role of inpatriates boundary spanning, 2011, p. 2). Mentorship encourages inpatriates to share, it signals that the organization has a high absorptive capacity and is interested in the knowledge the newcomer brings. The mentor’s backing allows protégés to receive attention from colleagues and have their qualifications assessed and acknowledged by seniors, which signals the protégé’s value to the organization. This is particularly relevant for inpatriate newcomers as their qualities and skills may be more difficult to assess by HQ staff due to cross-national differences in educational and organizational promotion systems. Third, once a HQ mentor introduces an inpatriate to other colleagues, he or she implicitly communicates a certain level of confidence in the protégé’s skills (Reiche B. S., Knowledge transfer in multinationals: the role of inpatriates boundary spanning, 2011, p. 14).

The 6 month long Japanese language training is in no doubt a big investment on the company’s behalf. This shows not only the importance the company gives to the global recruitment program but also the importance of having a common language in order to facilitate new ideas. Having foreign employees in order to create diversity is not enough; they also need to understand and be understood by their co-workers. An investment in acquiring language capabilities by the inpatriate will be fruitful not just in his ability to speak and convey ideas but also due to the exposure to the local culture and norms one gets through learning a language.
The use of returnees as a candidate pool seems to be a good middle ground. Returnees offer both cultural and language aptitude and can bring new viewpoints and ideas based on their experience abroad. Similar to inpatriates returnees they provide unique understanding and insights in ‘doing business’; they can be an effective communication network by acting as ambassadors between the parent-country and host-country nationals; they can provide plurality of perspectives when developing global strategies and policies; and they are an effective ‘internalized alternative’ to expatriates. Returnees seem to fulfil their staffing needs more effectively as they have the knowledge of both parent and host countries (Thite, Srinivasan, Harvey, & Valk, 2009, p. 279).

However research into the field of returnees shows that they are not a “silver bullet”. Though they have some advantages to non-returnee employees they will not necessarily outperform them. Their success relies mostly on their prior experience working in the home country (Thite, Srinivasan, Harvey, & Valk, 2009, pp. 277-279).
Chapter 4: Taiwan and Acer Corporation

The third country to be examined in this paper is Taiwan. One of the Asian Tigers, Taiwan followed in the footsteps of Japan and built a thriving high-tech sector. Today Taiwanese firms account for manufacturing many of the world’s computers, phones, tablets and other gadgets. In this paper I will focus one Taiwanese company, Acer, a global IT firm, and its experience in hiring foreign talent.

Acer was founded as a tiny company in Taiwan in 1976, and has grown to be one of the largest and most successful IT, PCs and PC components firms in the world. Acer is one of Taiwan’s most famous companies and its founder, Stan Shih is one of the country’s most revered entrepreneurs.

Being one of Taiwan’s first global brands Acer can serve as a good case study to internationalization of Asian businesses. Furthermore, Acer is one of the few Asian companies that appointed a western CEO, Italian Gianfranco Lanci. This step shows that Acer was serious in its attempt to globalize and diversify its talent pool. I shall discuss the motives behind this appointment and its subsequent failure later in this chapter.

Similar to Korea, the Taiwanese high-tech sector has traditionally relied on returnees, Taiwanese students who attained higher education abroad, as a leading source for talent. These students, most of them studied in the USA, were responsible for bringing in new ideas and technologies and cultivating the budding Taiwanese high-tech sector.

Over the years, as mainland China started to open up to the world a USA-Taiwan-PRC triangle formed. In the USA, PRC students studying abroad interacted with Americans and
Taiwanese colleagues and employers. In mainland China American and Taiwanese companies were investing in the high-tech sector moving production facilities to the mainland.

Within this triangle, ethnic Chinese talent is the core. The U.S. provides ideal ground for innovative training for Chinese talent from both sides of the Taiwan Strait. The U.S. experience enhances understanding by these people of cutting-edge technologies and, more important, the confidence to start up their own businesses back on domestic soil. These U.S.-trained advanced work forces therefore become a catalyst for manpower integration across the Taiwan Strait. Instead of bilateral interaction, this integrative mechanism is globally oriented (Leng, 2002, p. 241).

Taiwan, between 1950 and the early 1970s sent about 30,000 students to the US. The largest number majored in the sciences and engineering and many went to work in part-time and full-time jobs in Silicon Valley. The Silicon Valley business model is different from the traditional MNC model. It encourages small start-ups with little capital that engage in innovation. In the 1960’s Taiwan began a talent acquisition strategy to encourage these citizens to return to Taiwan. Over the years interpersonal contacts between people in Taiwan and Taiwanese in the USA facilitated the exchange of technical knowledge and the prospects for international marketing of products produced in Taiwan. Initially, these interpersonal networks were successful in helping the Taiwanese students and their families overcome cultural differences encountered by living in the US. These networks transitioned into professional organization’s which provided a variety of resources and role models at their own community, contact within the community and personnel exchanges between Taiwan and Silicon Valley. Many of the first-generation of Taiwanese immigrants became entrepreneurs. With their
entrepreneurial experience in Silicon Valley they moved between the US and Taiwan exchanging technical and business intelligence on a regular basis. Most of these participants carried dual citizenship. Cooperative arrangements between Taiwanese and US firms were established and technology policy advice was given to local governments in Taiwan (Zeng, Chang, & Bain, 2012).

The strength of Taiwanese high-tech production capacity is its connection with global technology centers. The close connection between Taiwan’s high-tech centre—Hsinchu Science Park and Silicon Valley in the U.S. enhances the productivity and performance of both places. The key actors enhancing this connection are a transnational community of U.S.-educated Taiwanese engineers who have the language skills and experience to operate smoothly in both regions. Their dense social and professional networks foster two-way flows of technology, capital, know-how, and information between the U.S. and Taiwan, supporting entrepreneurship and business relations in both regions (Leng, 2002, pp. 237-238).

Acer stands out in this sense as a purely Taiwanese company. Stan Shih, decided not to go to the USA after graduating from Jiao-Tung University but to stay in Taiwan and eventually found his own business. Nonetheless he saw the US as a role model in terms of entrepreneurship. In his own words:” The meaning of a Silicon Valley – to me - is not just the creation of technologies, but also the creation of venture capital, the spirit of entrepreneurship, and gathering the most excellent human resources from around the world. “ (Shih, 2004, p. 130)

Shih also contrasted Taiwan and US style entrepreneurship with other Asian countries:” One main difference between Taiwanese and other Asian companies is the spirit of starting a new
company. The new generation companies in Taiwan, such as Acer, have a scale far bigger than those old brand appliance companies. The U.S. is similar to Taiwan; most new information technology products are created by the new companies. On the other hand, in Japan, Korea, and Europe, the new products are from those old companies with continuous growth. This is due to the difference of social culture. In Taiwan and the U.S. there is a stronger atmosphere in creating enterprises. Taiwanese companies, doing purely ODM in China and in Southeast Asia, have less local competitors. This indicates that Taiwanese companies are competing with other foreign companies, while the local people are less aggressive in creating new businesses.” (Shih, 2004, p. 66)

Ironically, Taiwanese engineers were fundamental in creating success outside of their own country at the expense of Taiwan. The possible loss of talent to the US followed by the move of IT production to mainland China has created a brain drain in Taiwan with many talented individuals leaving the country.

Taiwanese IT firms increased their HR capabilities in order to recruit employees willing to leave their families to work on the mainland. Employment agencies report they have had no difficulty in recruiting people to migrate for jobs. Employment figures for those who migrated are not available. However, the Chinese 2010 census indicates that 170,000 Taiwanese who remained more than three months reside in Mainland China. Academics in Taiwan think this is an undercount (Zeng, Chang, & Bain, 2012, p. 7)

In April 2012 Singaporean Deputy Prime Minister Tharman Shanmugaratnam caused a stir in Taiwan and Singapore and started a heated debate in Taiwan’s media. In a speech given in
Singapore, Shanmugaratnam said Taiwan faced difficulties in keeping domestic talent and attracting foreign professionals. He cited Taiwan’s closed-door policy on foreigners as the main factor behind the country’s stagnating wages and brain drain (Taipei Times, 2012).

This debate has continued to 2013. The “2013 Business Climate Survey” published by the American Chamber of Commerce in Taiwan points to several HR related issues that need improvement. Constraints on hiring from abroad are a burden, and the workforce (while excellent in many respects) is not yet “world-class” in initiative and creativity. Furthermore, respondents to the survey indicated that over the years 2010-2012 a significant regress has occurred in their ability to recruit appropriate new personnel. Deficiencies in the quantity and quality of available human resources are one of the highest risk factors seen as confronting businesses in the future. Taiwan workers are not perceived as displaying a great deal of creativity nor of being of “world-class” standard. There are also concerns over their ability to display initiative (Amcham Taipei, 2013).

The Deputy Prime Minister’s comment created ripples in both government and industry circles. A few days after Shanmugaratnam’s statement, Acer Group founder Stan Shih called for the Taiwanese government to introduce foreign talent with global views, saying their help could upgrade Taiwan industries and generate huge business value of up to 1,000 times their employment costs. Shih was quoted as saying “The government has been too conservative toward introducing foreign talent, and without assistance from overseas Taiwan will see only limited development” he added that the Council of Labor Affairs should seek new strategies to facilitate the entry of more international talents with global views. According to Shih Taiwan's competitiveness lies in the strength of its talent, and although foreigners in Taiwan account for less than 1 percent of the working population, they can create huge business
values for local industries, which may be 100 or even 1,000 times the cost of employing them. If Taiwan chooses to abandon its "1 per cent" foreign talents, it could lose all of the benefits that come with it. To counter, Shih called the Council of Labor Affairs to inject new concepts into its strategy for attracting and keeping international talent of various fields (China Post, 2012).

Acer began its internationalization in the late 1980s through large acquisitions that nearly bankrupted the company. It then regrouped and pursued an incremental strategy of expansion through partnerships with local firms in its target markets, expanding throughout the world’s periphery. It developed innovative organizational forms as a latecomer MNC. In the case of Acer, the organizational innovation has been the creation of a remarkable global cluster of semi-autonomous businesses, interacting with each other through multiple connections, as well as with suppliers and customers. The autonomy generated by this global cellular architecture, and the business initiative it encourages, ensures that Acer does not suffer from well-known “subsidiary-headquarter” problems of morale and initiative. The counterpart to this local responsiveness is the issue of maintaining global coherence and integration. Acer has implemented an effective set of common rules that provide the guidelines for decision making, while building common global assets such as the single brand which acts not just as a marketing tool but also as an organizational symbolic point of reference (Mathews, Dragon multinationals: New players in the 21st century globalization, 2006).

Acer has tried to pursue a transnational business strategy. The transnational strategy tries to simultaneously reconcile global integration and local responsiveness in ways that leverage the firm’s core competency and throughout worldwide operations. A company following the transnational strategy goal will try to adapt its activities from country to country according to
prevailing cultural, political, economic and legal conditions. However, this is not a multi-domestic approach. Transnational strategy applies coordination methods to diffuse insights gained from unique experience in one location to throughout its global operations. This strategy promotes knowledge flows throughout the organization, from idea generators to idea adopters, without regarding the direction of the flow (HQ-> subsidiary or subsidiary->HQ) or where one or the other resides (Daniels, Radebaugh, & Sullivan, 2013, pp. 475-476).

The transnational strategy encourages employees to communicate and collaborate; in addition, it is a consumer centric approach, requiring constant attention to the needs and desires of consumers wherever they may be. In such an environment inpatriation can serve as a good tool to bridge cultural gaps and promote better communication within the organization and better understanding of consumer needs.

Acer created a unique corporate structure in 1976 – instead of rigid pagoda patriarchal power typical of Chinese family businesses, Shih opted for an open structure with extensive individual responsibility and financial participation. Acer continues to tap the urge to become the boss – by giving decision-making powers to local managers in the Acer plants and offices around the world and letting them run their operations like managers. These managers became the “pointing” and “pushing” drivers for others to imitate. Also, as these managers were rewarded for their results, the road to prosperity certainly became the direction for the employees of Acer (Sahai, 1999).

Taiwanese employees at Acer were primarily engineers and lacked international experience. The company was obliged to rely on local recruits and in some case to Taiwanese working
overseas in high tech firms. Cross-cultural communication and understanding was difficult between the “Westerners” from the field and the “Chinese” from headquarters. Stan Shih wanted to really create a global mind set emphasizing a strong corporate culture. In the mid 1980’s he launched the “Dragon Dream” slogan to mobilize people around the world. He also sent more and more Taiwanese managers abroad and invited foreigners to Taiwan. In December 2000, J.T. Wang was appointed as the President of Acer responsible for turning around Acer PCs worldwide. At the time, the Acer group employed around 37,000 People in 232 enterprises in 41 countries supporting a network of distributors in 100 countries. In 2001 the bursting internet bubble precipitated a decline in PCs sales. Among the ongoing challenges was the situation in the USA where Acer never managed to establish a leading position. Also Acer faced difficulties in establishing itself in China due to the strong position of Lenovo. The dual model of OEM manufacturing and Acer’s own products manufacturing was creating tensions. (INSEAD, pp. 2-3).

Already starting in 1999 the Company took a series of cost-cutting measures: workforce was reduced, US Operations were downsized. But J.T. Wang initiated a profound restructuring. He introduced a more centrally integrated approach based on 3 global principles: One Global Company, One Global Brand, and One Global Team. The principle of One Global Company led to the delisting of all locally listed international subsidiaries and repurchase back of all minority shares by Acer Inc. The principle of One Global Brand was stating that only Acer brand could be used for IT products but not for others products. The principle of One Global Team required that all managers abandon their parochialisms and work together as a global team. For that purpose an Executive committee was formed with the President and the top executives of business and regional units with the mandate to discuss global corporate
strategies and not to be representative and advocate of their own business. Incentives were
designed to reward managers by introducing global performances measurement in addition to
their business unit performances. Finally a series of core values were defined, a new logo was
designed and a vast training program was launched to educate employees across the world
about the new direction (INSEAD, p. 4).

The global business model behind this restructuring was to transform Acer from a high
technology, hardware-focused company to a customer-centric service-oriented company. On
the strategic front, contrary to others PCs vendors who tried to emulate Dell by adopting the
direct-sales model, Acer decided to rely on third party channels. By getting rid of all
manufacturing functions Acer was free to source all hardware from multiple suppliers. The
supply chain model was to direct the flow of goods directly from suppliers to distributors
through an headquarters’ centralised enterprise resource planning system (ERP) fed by
information coming from local subsidiaries. In 2004 Gianfranco Lanci, an Italian, was
promoted CEO of Acer Inc. while J.T Wang remained President. In 2007 Acer bought
Gateway in the USA and Packard Bell in Europe and became the Number 3 world provider of
computers and number 2 for notebooks, and achieved significant improvement in profitability
(INSEAD, p. 5).

In addition to training programs meant to train Taiwanese executives before they go abroad,
one of the training programs ACER initiated for its overseas employees was the “Overseas
Dragon Program” (海龍計劃). This program was a workshop training for mid and high level
overseas executives and was held in Taiwan. Its purpose was to promote the understanding of
the parent company by overseas local hires and enhance their confidence in the future
development of Acer. The goal was to strengthen the global team work at Acer through
mutual discussion and learning of overseas executives and Headquarters executives. (ChinaMgt.com)

The workshop’s content included: Acer's operating philosophy and corporate culture, introduction to each business unit’s operation and mutual relevance to other units. International marketing, international finance, international material and logistics management, total quality management, information on industry trends and Taiwan's advantages, understanding of oriental culture and ideology, global operations business logic and visits to factories. A separate program “Gold Dragon Program” (金龍計畫) was established for global finance managers and was meant to enhance their expertise. (Liu)

A major difference between Acer, Toshiba and Samsung is that the Dragon programs are not a “true inpatriation” programs, but more of an introductory workshop. Also, the relocation of foreign executives to Taiwan seems to be the result of a foreigner appointed to be the CEO who “brings along” his protégés Acer’s annual reports show that After Lanci resigned from Acer most of the foreign key executives left as well (Acer, 2012, p. 22)

Acer in this regard, has failed to successfully utilize its foreign talent. Though it has a global reach and many overseas subsidiaries, there is little diversity in the Taiwan HQ.

The following table compares and contrasts Acer to Toshiba and Samsung

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<td>Integration within the company</td>
<td>Global recruits are integrated in different units of the corporations</td>
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<td>Top executives are relocated to Taiwan, but “Dragon program” participants return to their home countries.</td>
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| Dual socialization for inpatriates and home country nationals | The company assists newcomers to aculturize to the Japanese work environment through a long training process. Newcomers are assigned a mentor. | Newcomers are assigned a mentor. Over the years the success of the GSG has given its members a good reputation and they are now sought after employees in Samsung’s different units. | Few high ranking executives are relocated to Taiwan. The rest of the participants in the “Dragon program” return home. There is little integration between them. |

4.1. Appointment of Gianfranco Lanci

The most high-profile appointment of a foreigner in Acer was the appointment of a foreigner
as its top executive. In 2004, after Stan Shih retired, Gianfranco Lanci, an Italian Acer executive was appointed as the company’s CEO. This high profile appointment signalled Acer’s commitment to globalization. In the following passages I shall introduce some of the motives behind the appointment and its eventual failure.

In an interview to the CBS News Channel Stan Shih expressed his views on the need to integrate local and global needs. When asked how a company best can be successful in an era of globalization, Shih answered: “When globalizing, you always have limited resources of talent and capital. The best way to globalize is therefore to localize, to integrate the local resources of talent and capital and integrate it with the parent company. We think in terms of "global brand, local touch," and try to for a group that leverages the size of the parent company but still draws on the experience of the local partners. You must have a common vision and a goal, but implementation must be based upon the local leaders’ management style” (James, 2009)

Shih attitude acknowledged the importance of involving foreign talent in Acer’s operations. In his book, “Millenium Transformation – Change Management for new Acer” shih writes:

” We can review the positioning of Taiwan from three aspects: people, money, and materials. Taiwan has gathered many technical talents and needs to attract more international talents or multinationals to set up their regional offices in Taiwan… To create a high-value industry Taiwan needs more foreign talents. Before, we imported foreign labors to fulfill the developing industry needs. Now, we need only those with skills. Those people without skills may lose their jobs with the industry hollow-out.” (Shih, 2004, pp. 132-133)

Stan Shih even promoted the idea of attracting Indian talents to come to Taiwan.
“My first target in attracting international talents is from India. The corporation between India and Taiwan will be a win-win situation. Taiwan needs the software development, which Indians are very good at. On the other hand, Taiwan can provide India the hardware manufacturing. The co-operation can integrate the resources of both China and India. Based in Taiwan, one can integrate the human resources in China and India through outsourcing. Silicon Valley only focuses on the markets and resources in the U.S…. Of course, we need more international talents and shall not limit ourselves to only Indians for cooperative opportunities. Beijing and Shanghai may want to be the second Silicon Valley too. There are many non-Chinese teams, coming from the U.S. and Europe, creating their businesses in Shanghai. These teams have the experiences in information technologies, communication and networking. They choose Shanghai as their base since it is close to the markets in China. Relatively, Taiwan has a better environment but needs to create the markets. Taiwan has to position itself as part of the Great China markets to gain the benefits. It is not hard to find the opportunities for cooperation for Taiwan. We need a living environment to attract the foreigners to stay and base in Taiwan. Take India as an example. I had proposed an Indian ambassador to build an Indian Village in Acer’s Aspire Park. They expressed the initial interest. I wanted to test if we could build a living environment for the foreigners first in a smaller scale. Surely, Indians may prefer to stay in the U.S. However, the competition is much higher in the U.S. For them, Taiwan has plenty more room to develop since the future of IT applications is unlimited.” (Shih, 2004, p. 131)

It is perhaps this positive attitude that led Shih to nominate Gianfranco Lanci as his successor. Lanci’s appointment was obviously not just because he was a foreigner; Lanci was Acer’s top performing executive.
Lanci became an Acer Employee in 1997 when Acer acquired the notebook division of Texas Instruments. His first position was country manager for Italy. 3 years later he was promoted to the role of president for Acer Europe. He started building a strong European organization and became president of Acer EMEA in 2002. Gianfranco Lanci introduced his innovative channel-business model that successfully established record-making profits across Europe, Middle East, and the African markets. Lanci was then nominated as President of Acer Inc. International Operation Business Group or OBG in 2003. His responsibility was to oversee all of Acer’s business through coordinating sales and marketing activities in the Middle East, Europe, and America (Business Insider). Under Lanci’s leadership, Acer's notebook PC sales-volume had jumped to the first position in the European market (Shih, 2004, p. 17)

Lanci and Acer Chairman JT Wang transformed Acer from a stronghold of Taiwanese management into one of the PC industry’s most global company. While the top ranks at HP and Dell are dominated by Americans and Lenovo’s leadership is largely Chinese, Acer's team included a French executive who oversees mobile phones, an Italian marketing chief, a German running China, an Austrian leading the U.S., and an American managing Brazil. "If you want to run a global company," Lanci said, "you need global talent." (Einhorn & Culpan, 2010)

However, Lanci’s reign was short relative to his predecessor, from 2005-2011. In March 2011 Lanci handed in his resignation. The press release issued by Acer stated the following:

” On the company’s future development, Lanci held different views from a majority of the board members, and could not reach a consensus following several months’ of dialog. They placed different levels of importance on scale, growth, customer value creation, brand position enhancement, and on resource allocation and methods of implementation. “ (Acer,
The reasons for Lanci’s resignation were a cause of debate in the press. Was the departure the result of business disagreement? Or was it the result of cultural “miss-communication”?

Shortly after his resignation, Lanci gave an interview to the website “All Things Digital”, a Wall Street Journal blog, devoted to news, analysis and opinion on technology, the Internet and media. In this interview, Lanci claims that while he wanted to push for globalization of the company, the board feared his actions will “De-Taiwanize” it.

Lanci tells he was on the verge of making big changes to the way the company was organized when the company’s board decided to move in a different direction.

Lanci said he was pushing the company to become more mobile-focused and more global. Acer, he said, needed to look beyond Taiwan as the world shifted to one in which Intel and Microsoft had less power and computer makers needed to do more work for themselves.

According to Lanci, the company needed to go from 300 or 400 engineers to 1,000 engineers, with a greater focus on software and hardware integration. The talent the company needed, according to Lanci, wasn’t present in Taiwan.

“The real major issue was doing that in Taiwan, this was not possible,” Lanci said. “We needed to go outside Taiwan, be it China or India or even the U.S. or Europe, wherever you can find software resources, software know-how.” Lanci said that the interests that control Acer were worried that his plan would lead to a de-Taiwanization of the company. Lanci was quoted as saying: ”… it is not de-Taiwanization. It is just globalization. If we want to be
in the top three (PC makers) in the next three to five years, we need to be a global company and we need to leverage resources wherever they are.” (Fried, 2011)

In response, Acer released a statement saying: “The accusation was unfounded. There has never been a so-called problem of de-Taiwanization because globalization has long been our development direction. What counts in corporate management and development is its leader's vision and foresight”. On Lanci's suggestion that Acer should become more mobile-focused and more global and needs to look beyond Taiwan to recruit more engineers and find software resources and software know-how, be it China or India or even the U.S. and Europe, Acer said it has been open to mergers and acquisitions. But it stressed that those deals should contribute to the company's sustainable development and financial health and should benefit its various stakeholders. (Central News Agency, 2011)

Industry Analysts in Taiwan tell a different story. According to some statements made in the press it was Lanci who wanted to focus on the sale of laptops and avoid investment in tablets and mobile phones. (Jennigns, 2011)

A week prior to Lanci’s interview, Acer chairman J.T. Wang said in an investors conference: “Lanci was unshakeable in his view that maximizing shipment volumes was the correct approach, but we found that direction to be a departure from the right track,” Wang said. “The board had to make a decision to change the chief executive and then seek to restructure the company.” (Tan, 2011)

We can’t judge for sure what the cause of Lanci’s resignation was. Lanci was described as “goal-oriented, aggressive and unshakeable on his own decisions.” (Tan, 2011) Perhaps this mind frame didn’t fit culturally with the Asian perspective of the board. On the other hand,
Lanci has worked for Acer for 14 years, the last 6 of which as its top executive in Taiwan. Clearly had there been problems they would have surfaced much earlier. Furthermore, Lanci’s next position was for Chinese pc maker Lenovo. If cross-cultural communication was indeed a problem, why work for another Asian firm? It seems to me that Lanci’s interview was a response to JT Wang’s comments a week earlier.

However, following Lanci’s resignation, all other top foreign executives also left the company. Post-Lanci Acer is purely Taiwanese in management (Acer, 2012, p. 22). Even if fear of De-Taiwanization was not the reason for ousting Lanci, the result of that move was Acer’s Re-Taiwanization.

The lesson to be learned from Lanci’s experience in Acer is that appointing a foreign top executive is not enough. Employees should be integrated into the company at all levels. Only this way can true diversity be achieved.

Examining Acer vis-à-vis the inpatriation process model suggested by Harvey and mentioned in the previous chapter, we can see several differences.

Harvey recommends that companies pay special attention to the inpatriate candidate pool in order to minimize the risks stemming from too big of a culture gap. At face value, the appointment of Lanci, an outspoken and stubborn European might not have been the best fit for an Asian company like Acer. The allegations raised by Lanci that his dismissal was due to fear of “De-Taiwanizing” the company and the de-facto “Re-Taiwanizing” of the company after his departure show that cross-cultural miscommunication did play a role in Lanci’s departure from Acer. But, if we take into account Lanci’s long tenure with Acer prior to his resignation we can tell that he managed to communicate over the culture gap (and quite
successfully, having been made CEO) for 14 years. We therefore can’t assign cultural gaps as the only reason to Lanci’s resignation.

The cases of Toshiba and Samsung supply us with 3 practical pieces of advice for successful inpatriation:

1. Instituting a mentoring program
2. Language training
3. Explore the option of returnees

Mentorship: Unlike Toshiba that goes to great lengths to integrate foreigners in the “front lines”, Acer relocated top executives only. These executives bring with them experience, different perspectives and have a lot of influence on the company due to their position. However, their capacity to transfer tacit knowledge is limited and is applicable only to those who work closely with them.

Furthermore, due to their high rank, their accessibility to the “rank and file” employees is limited. If a Taiwanese mid-level manager is interested in learning something about the Italian market, he can’t approach the CEO. To allow better learning and sharing the company can inpatriate mid-level managers as well or institute a mentoring program.

Toshiba and Samsung have effective mentoring program aimed at assisting foreigners assimilate in their new place and also transfer their knowledge onwards. According to Reiche’s research mentioned in the previous chapter, this mentoring program is meant to encourage grass-roots information sharing by signalling to the organization that the new-comers knowledge is valuable and signalling to the new-comers that the organization has a high absorptive capacity and is interested in the knowledge the newcomer brings.
Companies like Acer that inpatriate top executives should also institute a mentoring program that will assist these executives share their knowledge and let it seep into the organization.

Language: Toshiba has made a great investment in language training. Common language is crucial in order to facilitate knowledge sharing and with it new ideas. A sound recommendation for any inpatriate will be to invest in acquiring language capabilities. This will be fruitful in 2 aspects: in his ability to speak and express ideas but also expose him to the local culture and norms as they are reflected in the language.

In my research I haven’t found any Chinese language programs conducted by Acer, but I have found that Acer conducts English training for its employees. Acer encourage employees to advance their English proficiency through online English learning system and has set “Regulation for Subsidizing Global English on-line learning”, a subsidized fund is provided to those staff with prominent learning progress (Acer, 2011, p. 51). This is a pragmatic approach as English is the current lingua franca of the business world and proves that better communication is on the management’s agenda.

Returnees: Similar to Korean companies, Taiwanese high tech companies rely heavily on the use of returnees as a candidate pool. It is those returnees that are behind Taiwan’s rise a high-tech power house. Interestingly, this is not the case of Acer. Stan Shih did not follow in the footsteps of other Taiwanese graduates and preferred to stay in Taiwan and eventually start his own company. As mentioned in the previous chapter, returnees are not a “silver bullet”. Returnees can bring new viewpoints and ideas based on their experience abroad. However just as equally important is diversity in the profile of the returnees, employing only returning engineers will not have the same effect as a combination of engineers, designers and marketers who have experience in foreign markets.
The following chapter will include some conclusions, discussion and policy recommendations based on the 3 case studies of Acer, Samsung and Toshiba.
Chapter 5: Conclusion and Discussion

In the past pages we have discussed inpatriation as an HRM strategy to increase the success of a company’s internationalization. Our times have seen a tremendous increase in both scale and scope of international business and what was once an incremental process has become an immediate course of action for many companies who are now coined “born globals”. A key characteristic of born globals is the role of their executives who take a global focus from the outset and intentfully embark on rapid internationalization. In this paper we have seen the immense importance of the role played by Samsung’s Lee Kun Hee and Acer’s Stan Shih in pushing their companies towards greater internationalization.

These global firms take advantage of technological advances and ongoing globalization of markets, falling trade barriers, growing demand for specialized products and the improvement in communication technologies. As a result the executives running headquarters must understand the subtleties of country operations and the executives running subsidiaries in their turn must also understand global imperatives.

The primary objective of a firm’s strategy is to achieve a sustained competitive advantage, which in turn will result in superior profitability and profit growth. Sustaining this competitive advantage over time is one of the toughest tasks facing companies.

Researchers J. Stewart Black and Allen Morrison have examined the failure of Japanese companies to sustain their competitive advantage following their meteoric rise in pursuing and achieving competitive advantage in the 1980s and the 1990s. Black and Morrison attribute the initial Japanese success and its subsequent failure to 4 factors:
• Business model – achieving economies of scale and maintaining a high quality with low cost. However, while their ways helped Japanese companies grow exports, they hurt the firms’ new operations in foreign markets. Many Japanese executives assumed that the key to success abroad was replicating Japanese practices in their foreign affiliates.

• Isolated domestic market – Japanese firms had no foreign competition at home which enabled their growth, however THIS domestic market isolation had its drawbacks as Japanese companies moved overseas. Competing with foreigners primarily via exports provides few insights into what capabilities are needed for successful operation in foreign countries and in direct competition with local firms.

• A homogenous labor force - a homogeneous and contentious workforce is a great advantage when working to standardize products and processes, improve quality, reduce defects, and cut costs. But a uniform and cooperative labor force at home does nothing to prepare a company for managing the diverse and often combative workforces in foreign countries.

• A homogenous management team – Japanese companies’ ability to build strong business models and cultures owes a lot to cohesive and homogeneous leadership.

As we can see, half of these factors have to do with people. In order to avoid the pitfalls of having an over homogenous team diversity is needed both among workers and managers. By bringing together people of diverse backgrounds, perspectives and experiences, companies often gain a deeper knowledge of products and services and how to create and deliver them. (Daniels, Radebaugh, & Sullivan, 2013, pp. 94-95). Diversity therefore can assist a company achieve competitive advantage by helping it achieve greater customer responsiveness and also
sharing ideas that lead to greater efficiency, innovation and quality.

Business internationalization brings with it the challenges of cross-cultural communication. Adjusting to a new business environment, new cultures and overcoming language barriers. In reality, the values and outlook of managers, especially those from culturally dissimilar countries often differ. Different values impose boundaries that undercut coordination and control systems. Therefore managers use a variety of techniques to preempt these threats. Many advocate arranging closer contact among managers from different countries to unify values. (Daniels, Radebaugh, & Sullivan, 2013, pp. 608,628).

An aptitude for cross cultural communication and cultural diversity is difficult to imitate due to its intangible nature. Cross cultural communication is a capability and as such is based on the way in which decisions are made and processes are managed within a company.

In this paper I have discussed the use of in-patriation as a way to introduce diversity to an organization and increase the success of the internationalization processes. We have compared 3 Asian companies who practice inpatriation in similar yet albeit different ways and tried to draw conclusions that might be useful for other firms trying internationalize their operations.

One of the main benefits of international assignments is knowledge transfer. Knowledge can be divided into explicit knowledge and tacit knowledge. Whereas explicit knowledge is easily written down and transferred , tacit knowledge is too complex to convert into an explicit form and requires a human middleman for its successful transfer. Hence the great importance on choosing the right type of international assignment and assignee.

Since knowledge is a key resource for firms, if firms are able to manage knowledge well, then the more depth and diversity of knowledge that individuals bring to the firm, the more
resources the firm has to exploit. As diversity among workgroup members’ knowledge sets increases, the workgroup has a richer pool of information and logic to draw from when creating its solution set.

Out of the types of international assignments, inpatriation seems to be the one most suitable for firms to create situations that allow individuals with diverse backgrounds to share their knowledge, creating cultural diversity that will assist the firms gain competitive advantage.

Harvey et al argue that it is questionable how effective inpatriates will be if they were to return to their home country, how much long-term multi-cultural acceptance this will bring to the organization, and whether this is an example of “tacit cultural imperialism”. The end result of this may be to create a singular global business culture rather than one that incorporates different mindsets and evolutionary paths. Harvey supports the use of flexpatriate assignments as a more functional approach if there is a need to understand the dynamics of emerging markets. (Harvey M., Hartmann, Mayerhofer, & Moeller, 2010, p. 263).

The globalization of markets presents a difficult challenge for organizations attempting to compete in the global marketplace. In response to global opportunities, organizations are shifting from economies of scale to economies of scope and attempting to develop global mindset through management diversity. The development of a pluralistic global mindset is perceived by some to be the ultimate means to differentiate an organization’s competitive posture on an on-going basis.

When a management team recognizes pluralism it indicates the acceptance of alternative thoughts, opinions and actions within the organization’s culture. The benefit of pluralism is that it fosters an environment of mutual respect. Diversity thrives on pluralism when both
domestic and inpatriate managers in the pluralistic organization embrace shared norms of cooperation amongst themselves. This shared mindset is conducive to developing alternatives in solving problems, nurturing pride in collaborative work and ultimately, celebrating successes in global initiatives. Furthermore, a pluralistic climate of diversity-based success is ultimately sustained with increased profit and satisfaction of both consumers and employees. (Harvey, Novicevic, Buckley, & Fung, 2005, p. 2)

Newcomers to a foreign country face social and cultural hurdles, this is true both for businesses and individuals. In the international business literature this phenomenon is dubbed “liability of foreignness”. Implementing a structured process to reduce the ‘liability of foreignness’ would add competitive advantage to an organization. Home country organization should make a sustained effort to reduce the impact of the ‘liability of foreignness’ through recognizing the tendency for home-country nationals to judge newcomers to an organization on their perceived degree of difference (Harvey, Novicevic, Buckley, & Fung, 2005, p. 8).

Though the paper compared 3 Asian companies, its main findings are universal: the importance of mentoring, a common language and exploring the option of returnees can be implemented in France as well as in Taiwan, Japan or Korea. However, in the scope of this work I haven’t touched the underlying cultural differences between each country. Taiwan, Japan and Korea are all collectivist societies with many cultural similarities (Confucianism for example is the big influencing factor in all 3 societies), could these cultural factors have an impact on successful internationalization? Will companies coming from individualistic societies internationalize their operations more easily? Will inpatriation be easier in a western company as opposed to an Asian company? These questions merit further research.
5.1. Policy recommendations

One of the goals if this paper is try to point to recommended courses of action for Taiwanese companies who wish to internationalize their business operations and become global players. In this aspect I believe that the main obstacle is the language barrier.4

In her article “Global Business Speaks English” Harvard professor Tsedal Neeley calls multinational companies to adopt English as the corporate language in order to facilitate communication and performance across geographically diverse functions and business endeavors. Neeley brings as an example Rakuten, Japan’s largest online market place. Rakuten CEO, Hiroshi Mikitani, declared in 2010 that English will be the company’s official language5 in order to achieve its growth goals and overseas expansion. According to Neeley adopting English has allowed Mikitani to create a remarkably diverse and powerful organization recruiting talent from around the globe. (Neeley, 2012)

Taiwanese companies can of course adopt English as their language of business and internal communication; however this is not easy and will almost meet strong resistance from employees. Other problems that might arise are status loss and resentment among employees who do not speak English well, uneven proficiency in English that might disrupt collaboration for both native and non-native speakers etc.

An easier solution for Taiwanese companies will be to recruit candidates who speak Chinese. Based on the findings of this research, hiring Taiwanese returnees is one recommended course

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4 This was echoed in the American Chamber of Commerce “business climate report” mentioned in chapter 4. Taiwan’s non English friendly environment was ranked as the worst aspect of living in Taiwan.

5 Mikitani also declared that Japanese employees who do not reach English proficiency within 2 years will be demoted or dismissed.
of action. However, one might argue that hiring returnees is not “truly” inpatriation, after all these are home country nationals returning to their home country. I would like to propose an additional recommendation that might be relevant to Taiwanese companies: the option of recruiting overseas students studying in Taiwan.

According to the Ministry of Education’s data, there are about 40,000 international students studying in Taiwan (Ministry of Education, Republic of China, 2012). These students can serve as a pool for potential candidates for Taiwanese companies. The benefits of this option are clear, the Taiwanese company is spared relocation costs and can recruit students that have already underwent a process of acculturation during their studies in Taiwan. Having grown accustomed to the local language and culture their transition into the working environment might be shorter and easier compared to a new comer. This could also be a good opportunity for Taiwanese businesses to broaden their international experience by recruiting people from countries.

A possible downside of recruiting foreign students is their lack of industry knowledge and work experience. This is a valid concern for business managers but it too can be mitigated. Graduate business programs like NCCU’s IMBA program accept students with at least 2 years of relevant work experience. Recruiting an IMBA graduate could therefore bring with it potential benefits for Taiwanese businesses. Businesses can also use the IMBA program as part of the development program for overseas employees. Taiwanese businesses wishing to develop their overseas talent can offer them the opportunity to attend graduate school in Taiwan. The time spent in Taiwan can be used not just for studies but also for working in the company and getting to know its employees and culture. After completion of the program these employees can either return to their home countries or stay in Taiwan. Being a
developed country, Taiwan offers many benefits to students from emerging markets, and will also appeal to students from developed countries who wish to focus their attention on business in Asia.
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