Abstract

The effective dissemination of knowledge through a multinational's network of geographically dispersed units is essential for long-term competitive advantage to be obtained. However, particularly tacit forms of knowledge are highly contextually embedded, and their transfer is thus subject to influences resulting from socio-cultural distances between the source and recipient units. The purpose of this study is to explore and conceptualise the effects of such non-geographical distances on the effectiveness of intra-firm transfers of managerial knowledge. Due to the context-dependent nature of managerial knowledge, it was deemed important to place the discussion within a specific context; the focus of the study is therefore on Sino-Western managerial knowledge flows, as the socio-cultural distances between China and the West are expected to be amongst the largest.

The study adopted a concept analytical and theoretical approach to the problem, analyzing and synthesizing extant literature in order to develop a framework of the determinants and interrelationships of Sino-Western knowledge flows. From the exhaustive analysis of knowledge transfer literature emerged indications of several cognitive and psychological barriers impeding knowledge flows: these were broadly categorized into cognitive, normative, and attitudinal barriers, and served as a basis for the subsequent analysis of Sino-Western knowledge flows.

The findings of the study expanded the concepts of cognitive, normative and attitudinal barriers in Sino-Western knowledge transfers to include factors of holistic vs. analytical thinking; face-practice; individualistic vs. collectivist normative schemas; vertical vs. horizontal social hierarchies; and different perceptions of time, among others. These were found to serve as severe impediments for effective transfers of managerial knowledge between Chinese and Western managers, with particular influence on the capacity of the Chinese manager to acquire knowledge from their Western counterpart. The framework furthermore identified various factors mitigating the effects of these distances: the richness of interaction; the development of a shared identity; and the building of mutual trust.

Key words	Knowledge transfer, cross-cultural communication, tacit knowledge
Further information	

Tiivistelmä

Monikansallisen yrityksen kilpailukykyyn vaikuttaa merkittävästi sen kyvykkyys siirtää arvokasta tietoa yrityksen sisällä yli mittavien maantieteellisten rajojen. Varsinkin hiljainen tieto on kuitenkin hyvin kontekstisidonnaista, jolloin sen siirtämistä yksiköstä toiseen vaikeuttavat lähettäjä- ja vastaanottajayksiköiden väliset sosio-kulttuuriset etäisyydet. Tämän tutkielman tarkoitus on tarkastella ja käsitteellistää tällaisten etäisyyksien vaikutuksia yrityksensisäisiin liikkeenjohdollisen tiedon siirtoihin, ja niiden tehokkuuteen. Koska liikkeenjohdollinen tieto on vahvasti sidottu omaan kontekstiinsa, oli tärkeää asettaa niiden tutkimus johonkin varsinaiseen kontekstiin; tämä tutkimus päätettiin sijoittaa kiinalaisen ja länsimaalaisen väliseen tiedonsiirtoon.

Tutkimus on luonteeltaan käsiteanalyyttinen ja teoreettinen. Ongelmaa lähestyttiin kattavalla aineistoanalyysillä ja tulosten synteesillä, jonka perusteella pyrittiin tunnistamaan kiinalaisten ja länsimaalaisten johtajien välisen liikkeenjohdollisen tiedon siirron eri tekijät, ja niiden väliset yhteydet. Tiedonsiirtokirjallisuuden analyysistä nousi esiin useita kognitiivisia ja psykologisia esteitä tehokkaalle hiljaisen tiedon siirrolle: nämä jaettiin kognitiivisiin, normatiivisiin ja asenteellisiin esteisiin. Kiinalais-länsimaalaisen tiedonsiirron analyysi rakennettiin näiden yleisten kategorioiden päälle.

Tutkimustuloksissa kognitiivisia, normatiivisia ja asenteellisia esteitä kiinalais-länsimaalaisessa kontekstissa laajennettiin sisällyttämään esimerkiksi eroja holistisen ja analyyttisen ajattelutavan, individualististen ja kollektiivisten arvopohjien, sekä vertikaalisten ja horisontaalisten sosiaalihierarkioiden välillä. Lisäksi tiedonsiirtoihin vaikuttivat "kasvojen" ylläpitämisen merkitys, sekä erilaiset käsitykset ajasta. Näiden esteiden todettiin vähentävän merkittävästi kiinalaisten ja länsimaalaisten johtajien välisen tiedonsiirron tehokkuutta, alentaen erityisesti kiinalaisen osapuolen kyvykkyyttä vastaanottamaan länsimaiselta johtajalta tulevaa tietoa. Tulosten perusteella tunnistettiin myös useita tiedonsiirtoa tehostavia tekijöitä: näin ollen vuorovaikutuksen laadulla, yhteisen identiteetin kehityksellä, ja luottamuksen kehittämisellä voidaan tehostaa tiedonsiirtoja.

| Asiasanat | Tiedonsiirto, kulttuurienvälinen viestintä, hiljainen tieto |
| Muita tietoja | |

THE EFFECTS OF SOCIO-CULTURAL DISTANCE ON SINO-WESTERN TRANSFERS OF TACIT MANAGERIAL KNOWLEDGE

Developing a conceptual framework

Master's thesis
in International Business

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1   INTRODUCTION

1.1   Knowledge management and knowledge transfers in MNCs

1.1.1   The management of knowledge as an organisational resource

The concept of knowledge and its significance as a source of global competitiveness has emerged as one of the key perspectives in scholarly literature over the past decade, and spans an array of disciplines (Bhagat, Kedia, Harveston & Triandis 2002, 204). Scholars have emphasised the function of firms as systems producing and processing knowledge, and the role of knowledge in the essential process of organisational renewal (Bhagat et al. 2002, 204; Inkpen 1998, 223–224). Knowledge has been widely acknowledged as the most strategically important resource of a firm, with the greatest potential for the provision of sustainable competitive advantage in a globalising economy. (Grant 1996, 110; Davenport & Prusak 1998, 16–17.) Accordingly, the source of advantage for multinational corporations (MNCs) has been increasingly associated with their capacity to acquire, transfer and integrate knowledge across national boundaries (Li & Scullion 2006, 71.)

Knowledge assets pervade all spheres of the organisation; they are socially embedded and lodged within the minds of organisation members, embodied within organisational routines, and stored in artificial memories (Kalling & Styhre 2003, 61). Unique to knowledge assets is the protection by so called 'knowledge barriers', which make information-based resources such as corporate culture, consumer trust, and management skills practically 'invisible' (Durisin & Krogh, von 2005, 38). Whilst this allows for inimitability and, hence, a considerable advantage for the knowledge holding company, it also presents major challenges, as these sources of competitive advantage may be of such complexity that the firm itself does not understand them (Teece 2009, 128; Ambrosini 2003, 6). Knowledge assets thus differ substantially from physical assets; they lack any clear one-to-one relationships between investments building up such assets (Durisin & Krogh, von 2005, 38), and unlike other resources, knowledge assets do not diminish in value when shared, but provide increasing returns (Krogh, von & Roos 1996, 100; Chini 2005, 28), as shared knowledge remains with the source (Davenport & Prusak 2003, 17). As a resource, knowledge is thus characterised by its slow accumulation and constant evolution (Kalling & Styhre 2003, 62), and constitutes major challenges to managers.

Upon the recognition of the significance of intellectual resources for international corporations, the concept of knowledge management emerged to address managerial problems related to the systematic management of processes by which organisations can identify, accumulate, share and apply knowledge in an attempt to improve performance and, therefore, competitiveness (Holden 2002, 71). Knowledge management refers to the process of collective amplification and exploitation of knowledge held by individuals in sets of skills for manipulating knowledge. It thus allows organisations to continuously learn from experiences and apply valuable capabilities throughout their organisational units to ensure that the right knowledge is made available to the right individuals through extensive and efficient knowledge flows. (Holsapple & Joshi 2004, 91; Holden 2002, 73.) Such knowledge flows emerge as a result of the processes and activities occurring between the perception of a knowledge need or opportunity and the time that it is either satisfied or abandoned. As depicted in Figure 1 (adapted from Holsapple & Joshi 2004, 92), such knowledge flows operate on available knowledge resources, which are configured by an assortment of processors and under the influence of specific constraints and facilitators, in order to develop the needed knowledge. As a result, organisational learning occurs in the form of changes within the organisation's knowledge resources, which can then be translated into innovative outputs, organisational efficiencies and competitiveness through the projection of new knowledge into the organisation's product and service outputs. (Holsapple & Joshi 2004, 91–92.)
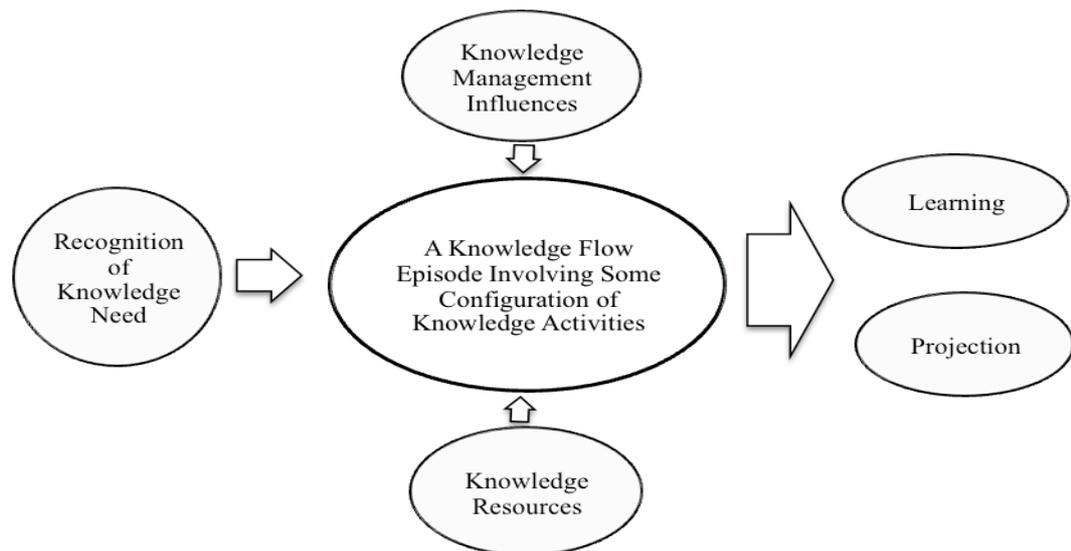
Figure 1   Architecture of a Knowledge Management Episode (adapted from Holsapple & Joshi 2004, 92)

The knowledge management episodes illustrated above include a variety of processes involved in organisational learning, including knowledge creation, manifestation, use and transfer. Each of these processes are performed by one or more participants (such as humans or systems), the knowledge manipulation skills of whom are affected by a variety of managerial, resource, and environmental factors. Accordingly, the process of knowledge management is a complicated interplay of a variety of interconnected factors, including those associated with the process itself, those related to the parties participating in the process, and factors both internal and external to the organisation, which affect the effectiveness of the entire process. (Holsapple & Joshi 2004, 111–115; Kalling & Styhre 2003, 15.)

Knowledge management thus refers to the firm-internal processes through which an organisation manages and transfers its knowledge resources within their contextual constraints in order to achieve sustainable competitive advantage (Davenport & Prusak 1998, 17). MNCs can be defined as networks of resources operating in culturally and geographically diverse locations; owing to some variance in resource endowments, individual subsidiary units are distinguished by heterogeneity in their competencies, and may therefore benefit substantially from engagement in inter-unit knowledge transfers (Lucas 2006, 261). Although externally embedded subsidiaries can be a considerable source of local knowledge and innovation, decreasing control and limited understanding of them can seriously impede intra-firm knowledge flows and the design of effective coordination and diffusion practices. (Chini 2005, 38–39; Schleimer & Riege 2009, 30.) Knowledge flows are essential in order to facilitate organisational control across subsidiaries and enhance overall performance and innovative capacity (Dinur et al. 2009, 433). Once the transfer of knowledge crosses national borders, however, relevant contextual constraints become exceedingly complicated due to the introduction of contextual distances (Chini 2005, 27).

While the influence of external factors on cross-border knowledge transfers has traditionally been considered substantial, several inherent barriers or hindrances associated with the transfer of organisational and strategic knowledge resources across geographic boundaries have been attenuated over the past decades as a result of dramatic improvements in modern information technologies; communication and coordination costs, for instance, have been reduced substantially. Rapid changes have suggested a "death of distance" as the advent of communication technology allowed for inexpensive storage and distribution of knowledge stored in databases, guidelines or organisational charts. (Ambos & Ambos 2008, 1; Bhagat et al. 2002, 204; Bertels & Savage 1998, 22.)

More recently, however, scholars have emphasised the abiding persistence of distance within the international context, as attention has turned to knowledge embedded in the experience, skills and capabilities of individuals within the company-

internal network (Ambos & Ambos 2008, 1). Whilst such non-verbalised forms of knowledge indubitably represent some of the most important resources for a company, they are decidedly difficult to capture within existing information systems infrastructures. Indeed, organisations tend to be somewhat opaque and frequently face challenges in the process of identifying relevant knowledge, let alone communicating it. (Bartels & Savage 1998, 22–23.) The transfer of intangible aspects of local knowledge can thus not effectively occur through IT facilities, re-establishing the hindrances associated with distance between knowledge holders and knowledge seekers (Li & Scullion 2006, 77). Whilst physical distance has obvious implications for intra-firm knowledge transfer, the concept of distance in knowledge management can furthermore be derived from other, contextual dimensions. Cultural and institutional distances have been claimed to considerably constraint the mobility of knowledge within MNCs. (Li & Scullion 2006, 72.) Contextual disparities may evoke resistance, frictions and misunderstandings, thus considerably impeding the effectiveness of cross-border knowledge transfers, unless transfer strategies are accommodated appropriately (Holden 2002, 81).

Although competent management of knowledge processes is particularly challenging in the international context, it is precisely within the management and transfer of knowledge across borders that MNCs derive their most significant competitive advantages from (Kostova 1999, 308; Jensen & Szulanski 2004, 509). Sustainable competitive advantages are increasingly predicated on the competence of organisations to identify and share assets in order to allow them be exploited thoroughly (Jensen & Szulanski 2004, 509). Although knowledge acquisition from external sources remains essential for most MNCs, its full advantage cannot be obtained unless organisations engage in effective intra-firm transfer, absorption and internalisation of acquired or developed knowledge throughout their entire structure (Jensen & Szulanski 2004, 509; Phene, Madhok & Liu 2005, 54).

1.1.2   *Transferring knowledge within MNCs*

The knowledge-based view of the firm posits that firm specific, intangible, inimitable and non-tradable knowledge constitute the firm's competitive position in a globalised environment. Firms acquire heterogeneous knowledge over time, and utilize this knowledge in their international expansion by transferring it internally to foreign subsidiaries in order to surmount the disadvantages of operating in unfamiliar environments. (Bhagat et al. 2002, 204; Wang, Tong & Peng Koh 2003, 173.) Such transfer is of particular significance for young subsidiaries in transition economies, such as China, as their knowledge base tends to be weak, and they depend on the superior

knowledge of their MNC parents in order to improve their capabilities, survive fierce competition and accelerate management localization within their environments (Wang et al. 2003, 168). Similarly, once established these subsidiaries begin to create and develop their own knowledge base, which in turn has the potential for utilisation in another unit within the MNC-internal network to support the processes of value creation and competence development in the corporation (Li 2004, 5). The ability to leverage its knowledge resources globally and exploit locally created knowledge throughout the organisational network via effective cross-border transfers through time, space, culture and language thus epitomise the competitive strength of MNCs (Qin et al. 2006, 262; Szulanski 2003, 10).

The natures of transfer processes within MNCs, and the implications of distance or other contextual variables for these, depend largely on the characteristics of the intended messages. Knowledge available for intra-organisational transfer can generally be categorized into technical and managerial knowledge, whereby technical knowledge includes knowledge related to manufacturing, products and other functional expertise, and managerial knowledge refers to managerial skills, marketing skills, human resource management skills, corporate values and business strategy techniques. (Wang et al. 2004, 172; Hong & Nguyen 2009, 348.) Managerial knowledge can further be divided into strategic and systemic knowledge, as depicted in Figure 2 below.
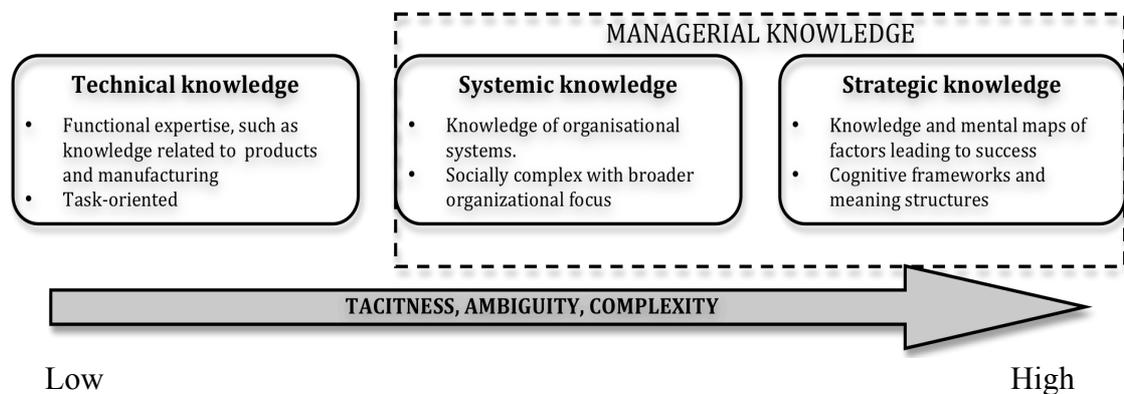
Figure 2   Different types of organizational knowledge (adapted from Hong & Nguyen 2009, 349)

Strategic knowledge refers to the cognitive framework through which senior managers construct a logic about critical factors and their significance for organisational success in a given institutional environment. Such an understanding allows for unique insight into general strategic issues. Systemic knowledge, on the other hand, is a socially complex understanding of structural relationships within the firm, the significance of

which is based on the assumption that knowledge of socio-cultural dynamics directing social behaviour is essential for systematic and efficient implementation of new operational systems or other tasks. (Hong & Nguyen 2009, 348.) All forms of managerial knowledge can furthermore be expected to consist of three types of know-how: management thoughts and philosophy at the very core; concepts and theories incorporating these philosophies; and analytical methods, techniques and practices (Fan 1998, 209).

As suggestive of the term, managerial knowledge is embedded within an organisation's managerial workforce, which manages and transfers such knowledge predominantly through means of communication. Managerial communication flows can be categorised as downward, upward, or horizontal; downward flows refer to the traditional transmitting of orders and directives to lower-level employees, whereas upward communication is the process of providing feedback for managers, and horizontal communication flows occur between colleagues on relatively similar organisational levels. (Vihakara 2006, 41–42.) Whereas literature on downward and upward communication flows has been prolific (cf. Minbaeva, Pedersen, Björkman, Fey & Park 2003; Vihakara 2006), horizontal managerial communication has received comparatively little academic attention, and will therefore be focused on in this study. Horizontal managerial knowledge transfers occur on a regular basis within MNCs, responding to the needs for synergy, perpetual organisational learning, task co-ordination or problem solving. In order to realise effective knowledge transfers between headquarters and geographically dispersed subsidiary units, MNCs frequently assign international assignees to bridge geographical distances and facilitate dyadic transfers of managerial knowledge; the purpose of such knowledge flows tends to be the dissemination of best practices and encouragement of growth in organisational knowledge resources through learning processes (Perrin, Rolland & Stanley 2007, 157-158; Vihakara 2006, 42). Whilst managers representing company headquarters disseminate best practices and aspects of the organisational culture, local affiliates provide valuable context-specific management skills and social knowledge (Buckley 2006, 188). The effectiveness of such knowledge transfers, however, seems to be attenuated by the persistence of contextual barriers, despite physical proximity (Zhu 2009, 20).

Whereas technical knowledge is less subject to the constraints of cultural and environmental variations, and requires little adaptation (Ambos & Ambos 2009, 8-10; Bhagat et al. 2002, 207), the tacit nature of managerial knowledge renders it more problematic to transfer across substantial contextual distance, as it is considerably more culture-bound and context-specific. (Ambos & Ambos 2009, 3; Wang et al. 2004, 177.) An exhaustive understanding of contextual factors and their influences on knowledge transfer processes and actors is thus required to establish a general view of intra-firm

transfers of managerial knowledge and its effectiveness across geographically dispersed business units (Zhu 2009, 23). The following chapter will provide a brief review of the contextual setting relevant to the study at hand, viz. China and the West.

1.1.3   Sino-Western cooperation as a context

Sino-Western relationships were chosen as the research context of this study due to their unique combination of 'unparalleled potential' and prominent contextual challenges for international business (Li & Scullion 2006, 73). Over the past three decades, China has emerged from virtual isolation and economic stagnation to become one of the largest economies in the world. With a current population of approximately 1.3 billion and a projected gross domestic product (GDP) growth of 9.5 percent in 2010 (World Bank 2010; 2008, 2), the Chinese markets have attracted considerable international attention, and in 2003 China surpassed the United States as the world's largest recipient of foreign direct investment (FDI). Since the opening up of the Chinese market in 1979, China's integration into the global economy has proceeded at an exceptional pace, despite the fact that its reforms have been gradual and the state continues to intervene heavily in the economy. (OECD 2002, 9; Yang & Lee 2002, 98.) China's institutional environment is largely incoherent, vaguely defined, and radically different from the institutional environments of developed countries (Peng et al. 2007, 923). Furthermore, the Chinese markets are extremely heterogeneous and fragmented, with considerable variations in the institutional environments of sub-national regions to which foreign companies need to specifically adjust[1]. (Ma & Delios 2007, 207–208; Kettunen, Lintunen, Lu & Kosonen 2008, 30.) Nevertheless, as a target market for foreign investments, China offers unprecedented potential in both its quantitative and qualitative characteristics; its resonance is due not only to the size of its markets, but also to its significance as a resource base and a source of learning. China offers a vast reservoir of valuable human and technological resources, emphasizing the importance of competent knowledge management. (Lasserre & Schütte 2006, 41-43; Li & Scullion 2006, 73.)

As Western organizations flooded into China, many set up local subsidiaries to cater for the Chinese markets. The importance of China for international businesses is of such proportions today that the majority of large multinationals in any field have established

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[1] In 1984, China introduced five special economic zones (SEZs), which incorporated all the benefits of a free trade zone and were a significant component of the new regulations encouraging incoming foreign direct investments (FDI). These sub-national regions were entrusted with increased levels of autonomy, allowing them to draw up individualised incentive packages in order to attract FDI. Consequently, different sub-national regions can be qualitatively very different in terms of latent institutional characteristics, despite a great degree of similarity in their economic-geographic dimensions. (Ma & Delios 2007, 207–208; Kettunen, Lintunen, Lu & Kosonen 2008, 30.)

local units there. In an attempt to share and acquire knowledge across the borders of individual subsidiaries, Chinese units are receiving exceptionally high rates of expatriate assignments. (Hutchings & Michailova 2004, 85.) In the course of China's international development and integration, local businesses have furthermore at an exceeding pace begun to compete with the hitherto overpowering Western MNCs. Indeed, intra-organisational Sino-Western business relationships today are by no means exclusively those between a Western multinational and its Chinese subsidiary, as Chinese multinationals have expanded their operations abroad. Consequently, the effectiveness of Sino-Western knowledge flows is of consequence to innumerable businesses worldwide; in order to disseminate best practices, and accumulate the organisation's knowledge base, it is imperative for Chinese and Western managers to be able to effectively communicate and transfer knowledge with each other. (Li-Hua 2004, 4; Hutchings & Michailova 2004, 84–85)

Upon the establishment of operations in China, Western MNCs have frequently encountered untoward difficulties both in their interaction with company-external forces, such as the government, customers and competition; and in the transfer and management of company-internal practices to and within the subsidiary. Disparities in socio-cultural environments between Western and Chinese colleagues have been held responsible for a significant share of the difficulties; indeed, Westerners frequently regard China as 'the most foreign of all foreign places'. (Li & Scullion 2006, 73.) Hence, MNCs operating within Chinese borders, and Chinese MNCs with Western subsidiaries, must have cognisance of the various challenges embedded within the extent of institutional and cultural dissimilarities, and the effect these may have on the relationships between Chinese and Western individuals and organisations. The specific implications of these cultural and institutional factors for intra-firm knowledge transfers between Chinese and Western managers will be discussed in chapter 5.

1.2   Previous studies in the area of research

Scholarly research examining the organisational dimensions of knowledge has surged within the past two decades, and literature on various perspectives of knowledge management can be found in abundance. In addition to knowledge creation literature (e.g. Davenport & Prusak. 1998), research on knowledge transfer remains the most prolific perspective within knowledge management literature.

Scholars have approached the concept of knowledge transfer from a variety of perspectives. An elusive concept, it has proven difficult to capture, and most researchers have therefore opted for a relatively narrow focus. Along with a conceptualisation of other motives for knowledge transfer, some scholars have emphasised its importance for

the generation of sustainable competitive advantage (e.g. Zander & Kogut, 1995; Davenport & Prusak, 1998), whereas others focus on the outcomes of knowledge transfer, determining the degree to which knowledge was internalised (e.g. Kostova, 1999). Yet another stream of literature sees knowledge transfer as a process, focusing on each of the individual stages involved (e,g. Krogh, von & Köhne, 1998), or on the organisational mechanisms applied (e.g. Ambos & Ambos, 2009).

Despite the recent plethora of academic literature on knowledge transfer and related topics, few researchers have limited their focus onto intra-firm managerial knowledge flows; the far more common perspective regarding managerial communication involves the settings of newly acquired international joint ventures, or mergers and acquisitions (e.g. Vihakara 2006). Knowledge flows have furthermore widely been discussed as a somewhat vague and abstract entity of no specific perspective, thus eluding the necessity of specifying exactly what kind of knowledge is under consideration (e.g. Bhagat et al. 2002; Lucas 2006). Despite a few notable exceptions (e.g. Hong & Nguyen 2009), this is particularly true when considering knowledge flows as subject to contextual influences.

Literature on factors influencing knowledge transfer can broadly be divided into three categories according to the properties of the context within which transfer occurs: properties of the knowledge itself, properties of the units, and properties of the relationship between units (Li 2004, 14). With regard to properties of knowledge, distinctions have been made according to knowledge tacitness (e.g. Nonaka 1994) and ambiguity (e.g. Simonin 1999), focusing on differences between technological and managerial knowledge transfer (Wang et al. 2003). Research on the properties of units, on the other hand, discusses characteristics of source and recipient of knowledge transfer, considering the roles of the units and directions of transfers (e.g. Tsang 2001; Wang et al. 2003). Most relevant to this study are the properties of the relationships between units of knowledge transfer, emphasizing the influence of the relationship itself and the existing cultural and institutional distances between the units. Cultural and institutional distance between units is considered a relationship-related barrier inhibiting knowledge transfer (Szulanski 1996; Kostova, 1999). Whilst literature on inter-organisational knowledge transfers is abundant, research on knowledge transfer within the firm has picked up momentum only recently (Szulanski 2003; Phene, Madhol & Liu, 2005), with the growing need to leverage and transfer knowledge within the firm across boundaries implying a demand for more conceptual work in this area (Phene et al. 2005, 45).

The consideration of contextual influences on intra-firm knowledge transfer has been addressed to a very limited degree. Knowledge management has long been treated as a universal practice, which is perfectly transferable irrespective of contextual considerations. (Wilkesmann et al. 2009.) Of studies focusing on the effects of

contextual distance on knowledge transfer, the vast majority take on an inter-firm approach (Bhagat et al. 2002, 205). Notable exceptions exist, however, such as Hutchings and Michailova (2004), who found that cultural distance significantly inhibits knowledge sharing between Western MNCs and their subsidiaries in China and in Russia; or Li and Scullion (2006), who focused on institutional, cultural and physical dimensions of distance, and found them severely detrimental for intra-firm cross-border knowledge building processes. Similarly, Li (2004) examined the impact of trust and shared vision on inward knowledge flows to Chinese subsidiaries. Yet even amongst these studies variations are little, and the preponderance focus solely on specific cultural and situational contexts[2]. The relationships between difficulties of cross-cultural interactions and knowledge transfers have furthermore not been addressed comprehensively: implications of socio-cultural distances has been discussed separately in a variety of disciplines, with different foci and different conceptualisations and terms applied, without conceptually linking it to the process of interpersonal knowledge transfers.

Amongst researchers focusing on knowledge transfer, numerous have implied a need for more elaborate research on the influence of cultural characteristics and differences on knowledge transfer (e.g. Wilkesmann et al. 2009, 574; Foos, Schum & Rothenberg 2006, 18), and particularly for further conceptualisation or theory building of issues related to the cross-cultural transfer of organisational knowledge (e.g. Chen et al. 2010, 240). Indeed, the concepts used and topics studied are highly disparate and inconsistent, which is testimony to the novelty of the perspective, and consequent lack of adequate research. Further research has been suggested on the actual problems that may arise during the knowledge transfer process in cross-cultural settings, as well as on how the resistance to transferring knowledge could be overcome in MNCs (Fan 1998, 218). Several researchers (e.g. Fan 1998, 218; Wang-Cowham 2007, 238) have furthermore suggested future research to focus specifically on knowledge transfers in the Sino-Western context; apparent extreme differences between management thoughts and philosophies between China and the West have lead to the as yet poorly researched assumption that the transfer of "soft" knowledge faces particularly high barriers in this context. There is no comprehensive study attempting to combine and clarify the concepts used in previous studies on cross-cultural knowledge transfers, or establish the relationships between them. This dearth of research renders it difficult to perceive the connections between extant literature and understand the implications of their findings, and will therefore be addressed in this study.

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[2] Please see APPENDIX 1 for a list of relevant previous research.

1.3 The purpose and structure of the study

Among a firm's base of resources, knowledge is evidently the most strategically important resource, as a source of organisational renewal and, therefore, sustainable competitive advantage (Wang et al. 2004, 168). As knowledge is not a coherent entity, but instead dispersed across an organisation's operational units, there is an incessant need to integrate knowledge resources from various locations within the firm through knowledge transfer. The ability to do so establishes knowledge as a strategic asset. (Kalling & Styhre 2003, 136.) Imperfectly imitable and strategically pivotal, managerial knowledge constitutes the most valuable of knowledge resources, and the effective dissemination and application of existent managerial capabilities throughout the global organisational network is largely considered the raison d'être of MNCs (Qin et al. 2006, 262). In order to facilitate such transfers, managers are frequently sent on international assignments in order to overcome barriers of geographical distances. Whilst strategically crucial, the effective mobilization of valuable organisational knowledge through an MNC's network of geographically dispersed units is, however, characterised by substantial difficulties due to separation of contextual distance (Qin, Ramburuth & Wang 2006, 260; Li & Scullion 2006, 72).

Knowledge transfer does not occur in a social vacuum but is instead contextually embedded, and thus subject to influences resulting from socio-cultural distances between the source and the recipient units (Kostova 1999, 312). Such distance may severely inhibit the international transfer and dissemination of valuable knowledge, unless cross-contextual understanding is facilitated. In settings characterised by significant socio-cultural distance between transferors, such as in the relationship between Western MNCs and their Chinese subsidiaries, the saliency for efficient and effective knowledge transfer is further pronounced, as the need for inter-contextual understanding increases in order for competitive advantages to be achieved. (Hutchings & Michailova 2004, 84–85.) While researchers have long been aware of the impeding influence of socio-cultural distances on the effectiveness of knowledge flows, there is a dearth of research exploring the interconnectedness between concepts of knowledge transfer and of barriers or facilitators thereof.

The purpose of this study is **to explore and conceptualise the effects of socio-cultural distance on dyadic intra-firm transfers of tacit managerial knowledge between Western and Chinese managers**. To approach this objective, it was further divided into three sub-objectives as follows:

1 To conceptualise how tacit managerial knowledge is transferred between managers of Western and Chinese origin in a company-internal setting.

2 To examine what barriers to Sino-Western tacit knowledge transfers are created by socio-cultural distances, and how they affect the transfer.

3   To analyse how companies can overcome such distance-related barriers to enhance intra-firm knowledge transfer.

To mitigate the effects of geographical distance and different time zones on the effectiveness of managerial knowledge transfers, the focus of this study was limited to the interaction of Western and Chinese managers within close physical proximity of each other. For additional control of a range of other factors that may affect knowledge transfer within MNCs, and for reasons of clarity, this study will focus on dyadic knowledge transfer between Western and Chinese managers. Whilst technology-based coordination mechanisms as a means of cross-contextual knowledge transfer will briefly be discussed, the main focus of the study will be on person coordination mechanisms and the transfer of managerial knowledge, as they are generally perceived to be of greater effectiveness in the transfer of culturally embedded knowledge. Moreover, the use of person mechanisms as a means of knowledge transfer is of interest as it is precisely these avenues of knowledge transfer that are most affected by the source and receiver units' socio-cultural embeddedness. (Ambos & Ambos 2009, 3.) The contextual analysis applied in this study is in accordance with the majority of existent academic literature and synthesised from previous findings, examining the socio-cultural distance between source and recipient as a function of the resultant cognitive and psychological barriers. These barriers can further be classified as cognitive, normative and attitudinal distances. Whilst it is acknowledged that each of the socio-cultural perspectives considered in this study are multifaceted and complex concepts, with implications for a number of different phenomena falling under various disciplines, this study will focus exclusively on those aspects within the cognitive, normative and attitudinal environments that have explicit relevance to the field of international business, and knowledge transfer in particular. Thus, the description and analyses by no means attempt to convey an all-embracing portrayal of the potential influences of socio-cultural distances on human behaviour.

The study will be divided into seven main chapters as depicted in Figure 3 below.
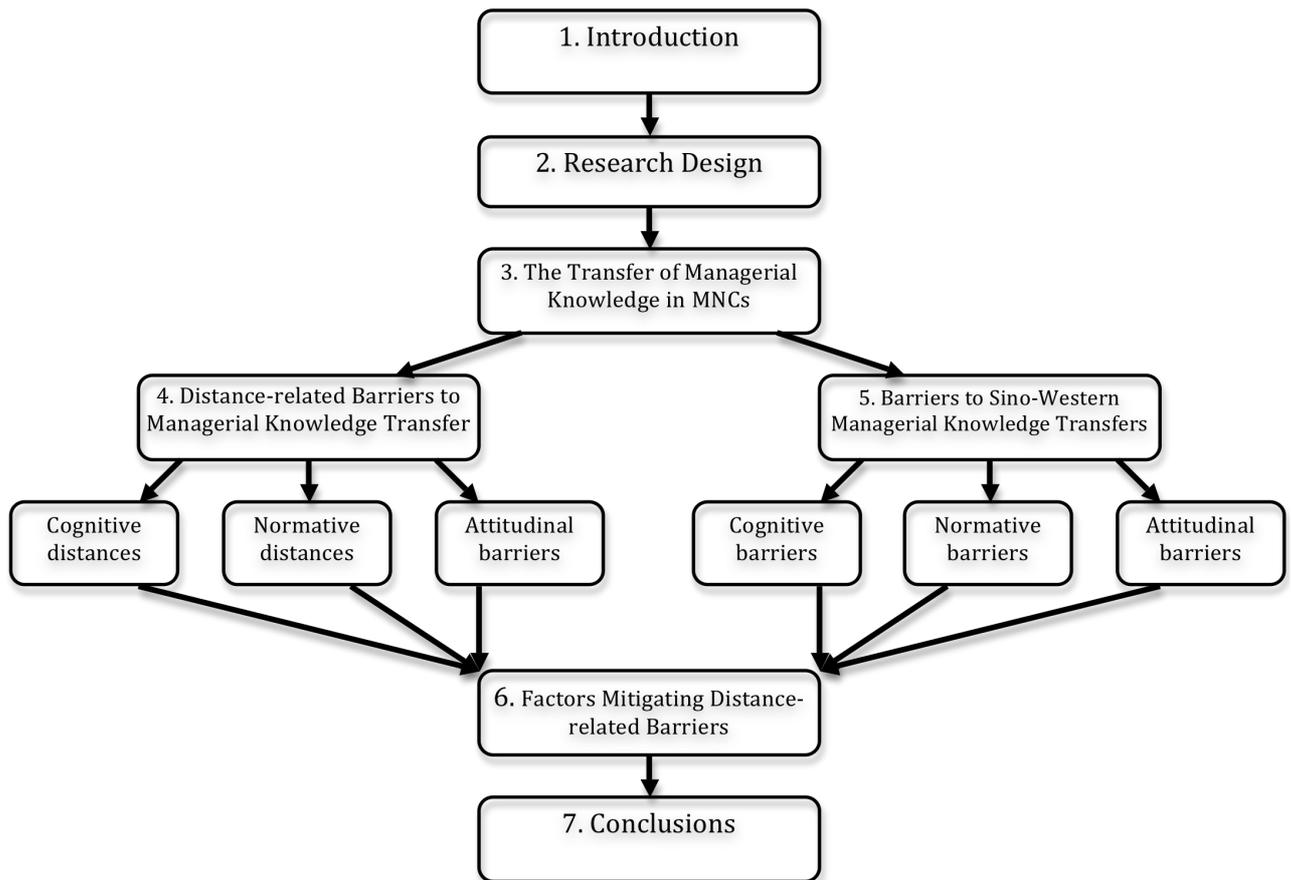
Figure 3   Structure of the study

It will commence with a description of the research design applied in this study, before reviewing extant theories on knowledge transfer within MNCs and conceptualising the main elements of the study. It will then provide an elaborate analysis of the barriers induced to intra-firm knowledge transfer by socio-cultural distances in the context of China and the West. Thereafter, the study will proceed with an analysis of strategies commonly employed by multinational companies in order to surmount these barriers, and synthesise all findings and their relationships into a conceptual representation in the conclusions.

2   RESEARCH DESIGN

The following chapter will discuss in detail the research methods used in this study, describing and justifying the choice of research approach and assessing its trustworthiness. Possible immediate inaccuracies will be presented in order to eliminate the probability of misinterpretations in subsequent stages of the study.

2.1   Research approach

The design of a research is influenced by a number of factors, and has direct and substantial influence on the specifics of the research, and the information that can be derived from it (Hirsjärvi, Remes & Sajavaara 2004). It is worthwhile, then, to consider with care the methodological choices to be made, the assumptions upon which they are based, and the value of the findings they are to produce. Methodological solutions within the social sciences, and the field of business and economics in particular, seem to centre around the qualitative and quantitative research designs, with very little applications of, or methodological discussion about, the alternative, non-empirical research opportunities (Kallio 2006, 511). Diverging from the prevalent trail, this study is theoretical and non-empirical in nature, although it is closely aligned with, and makes generous use of, existent empirical data. The linkages between these research designs can be explained by a brief review into the purpose of the study at hand, and the definitions and meanings of these research approaches.

As the objective of this study is to explore the effects of socio-cultural distance on managerial knowledge transfers between Western and Chinese managers, its purpose is decidedly hermeneutic in nature, i.e. it seeks to understand and interpret knowledge[3]. The option of quantitative methods could therefore be eliminated, as these would allow little insight into interpretative or explorative forms of knowledge[4] (Eskola & Suoranta 1998, 14). Upon deciding between qualitative and non-empirical research methods, the latter were chosen due to the complexity of the topic, and consequent problematic of obtaining valuable qualitative data. Although the qualitative approach does attempt to describe reality with considerations for its complexity and relies primarily on

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[3] Hermeneutic knowledge is considered one of the three types of knowledge popularized by Habermas in his 1972 classic work "Knowledge and human interest". The other two are analytic knowledge (the instrumentalist use of information to predict and control, generally associated with natural sciences and quantitative research methods) and critical knowledge (to rid sciences of untruthful information). (Kallio 2006, 513; cf. Habermas 1972.)

[4] This assumption is based on the fact that the quantitative approach generally makes use of postpositivist claims for developing knowledge, searching for causalities through reductionist methods and relying heavily on measuring and observing, yielding statistical data (Creswell 2003, 18–20).

constructivist perspectives and inductive research (Creswell 2003, 18–20; Eskola & Suoranta 1998, 19–20), it would have been beyond the scope and possibilities of this study to obtain satisfactory first-hand empirical data. This is due to the implicit, multifaceted, and multidisciplinary nature of the topic studied: the impediments of socio-cultural distance on tacit knowledge transfers are by definition nearly impossible for the managers in question to be aware of themselves, and to obtain valuable results their study would have needed to penetrate very deeply held socio-cultural assumptions and perceptions. This would have required intensive in-depth studies with both the Western and the Chinese managers; as the subjects resided in China, and travelling there was beyond the financial possibilities of the researcher, it was deemed unlikely to obtain any truly valuable results from qualitative research. Furthermore, considering the absence of a useful theoretical framework of distance-related factors influencing managerial knowledge transfers between managers from backgrounds as different as China and the West, it appeared far more valuable to examine consistent conceptual relationships between these factors on a more permeable level than a single empirical research would have allowed. Indeed, Zetterberg (1962) and Eskola and Suoranta (1998, 119) argued that, in social sciences, a far deeper level of analysis can be reached by making use of the findings of numerous existing studies, than by limiting one's conclusions to the findings of just one (albeit self-conducted) study. The non-empirical research approach was therefore chosen as it allowed an exhaustive analysis of existent, multi-disciplinary empirical data, thus providing the best possible basis for a complete understanding of the topic. This would further allow for generalisations to be drawn in the form of a framework.

The differences between various research approaches, and indeed even the boundaries of individual approaches and methods, are not unambiguous (Hirsjärvi et al. 2004, 126–127). There are notable commonalities between qualitative and non-empirical research methods. Indeed, as both are essentially based on conceptual analyses, the main difference resides in the lack of first-hand empirical data in the latter (Dubin 1969, 6; Kallio 2006, 517–518), leading to different methods and outcomes. Whereas rough classifications can be made of the assumptions behind and the methodological options of various approaches, actual research designs are never quite this clearly defined. Many studies in fact represent a convergence of different strategies – this is particularly true for non-empirical research, the specific methods of which can often not be unequivocally determined, as they represent an intricate combination of various methods. Typically, non-empirical approaches cannot be neatly fitted into simplistic categorisations, as various relevant methods, such as discourse analysis, for instance, do not fit into any of the categories. Accordingly, non-empirical research designs such as the one applied in this study tend to be a mix of different approaches.

Where literature exists on the nature of non-empirical research designs, it has rarely used a unified terminology, and various overlapping concepts confuse the specifics of different approaches. Non-empirical research has been divided into various slightly different, though often related categories; most generally into (1) conceptual and textual research, and (2) theoretical research. These can further be divided into various sub-categories of specific research methods, such as visionary conceptual research or discourse analysis (conceptual and textual research methods), or analytical theoretical or traditional theoretical methods (theoretical research). (Ahonen & Kallio 2002, 89–90; Kallio 2006, 517–518.) Basic assumptions and methods of non-empirical research approaches are illustrated in Table 1 below.

Table 1   A simplified methodological hierarchy of non-empirical social sciences studies (adapted from Ahonen & Kallio 2002, 84)

Research approach	Conceptual/theoretical studies
Knowledge type	Hermeneutic
Paradigm	Interpretative (non-empirical)
Research strategy	e.g. conceptual analysis, theory development
Research method	e.g. analytical theoretical methods, visionary conceptual analysis

As mentioned above, whilst helpful for the conceptualisation of differences between various methods, these (or similar) categories are, however, not absolute, but converge generously (Kallio 2006, 517–518; Tesch 1990, 115).

Non-empirical research approaches largely revolve around the analysis and interpretations of concepts. Such an analysis is in fact the basis of both conceptual and theoretical research, and of the qualitative approach (Ahonen & Kallio 2002, 16; Hirsjärvi et al. 2004, 142); differences emerge in the significance of conceptual analysis within different research methods. Whereas it merely provides the tool for data analysis in qualitative research, the analysis of concepts and their construction into descriptive and explanatory systems is at the very heart of non-empirical research. As indicative of its name, the concept analytical approach is concerned mainly with the examination, analysis, and interpretation of *concepts*. It is descriptive by nature, and seeks to produce

and clarify meaningful concepts by categorising them to discover the commonalities, or the constituents of a phenomenon. Individual concepts can then further be constructed into conceptual systems. (Dubin 1969, 26–28; Tesch 1990, 114.) While many researchers do not distinguish between different non-empirical approaches (e.g. Näsi 1980; Neilimo & Näsi 1980), Kallio (2006, 517) and Ahonen and Kallio (2002, 89–90) pointed out that several non-empirical research methods are in fact ill fitted into exclusively concept analytical categories, and suggested the distinction into conceptual and theoretical research approaches. While the theoretical approach is similarly based on the analysis of concepts, it goes further into examining the causal relationships between various concepts, and seeks to establish theoretical representations of these relationships (Dubin 1969, 6; Hirsjärvi et al. 2004, 141; Kallio 2006, 518, 535; Tesch 1990, 114).

Beyond the mere discussion of concepts, the theoretical research process consists of a constant dialogue between analysis and synthesis. Accordingly, it deconstructs entities into smaller, more controllable parts (analysis), and subsequently reconstructs various pieces of information into entities relevant to the interest of the study (synthesis). (Kallio 2006, 527.) A central part of theory building is the development of a model or framework suggesting or exploring connections and proposing causalities between various abstract concepts (Dubin 1969, 6–7; Hirsjärvi et al. 2004, 136; Tesch 1990, 124) – a process during which logic, argumentation and interpretation can be applied to replace data as the basis of evaluation (Whetten 1989, 491). Indeed, Whetten (1989, 491) pointed out that whereas data (whether qualitative or quantitative) *characterize*, it is the theory that supplies the *explanations* for these characteristics.

As mentioned above, in the case of non-empirical research approaches there are no unambiguous methodological categories or methods, into which any specific research could be unequivocally placed. Of the study in question, it is safe to profess a hermeneutic approach and an interpretative paradigm; the research approach and method, on the other hand, are a convergence of theoretical and concept analytical, in that the study attempts to construct a conceptual framework based on both concept analysis, and its linkage to an exhaustive analysis of extant research, in order to establish a junction with actual contextual elements. It thus assumes a concept analytical approach to the transfer process of managerial knowledge, before linking this with a collating reinterpretation of the findings of several existing studies on the difficulties of transferring managerial knowledge between a Chinese and a Western manager. Drawing widely on existent empirical data from studies of a variety of disciplines, this study can thus also be linked to more practical approaches, although the actual procurement of first-hand empirical findings is beyond its present scope. In fact, in contrast to the descriptive and characterizing nature of empirical research, this study aims at a more interpretative examination of the reasons behind, and the implications of, barriers of

managerial knowledge transfers between Western and Chinese managers. It therefore aims at the construction of a well-grounded framework explaining the various determinants of Sino-Western managerial knowledge transfer effectiveness, and their causal relationships.

2.2 Building a conceptual framework of the determinants of Sino-Western managerial knowledge transfers

As mentioned above, the ultimate objective of this study is to reorganize and reinterpret both theoretical and empirical findings in order to develop a well-grounded conceptual theory or framework explaining the various determinants of Sino-Western knowledge flows, and their mutual relationships. The constituents of a theory are by no means easily defined; pivotal is the existence of both descriptive and explanatory comments on the phenomenon in question (Kallio 2006, 519). Whetten (1989, 490) argued that a complete theory must contain four essential elements in order to be valuable: it must provide solutions for the questions what?, how?, why?, and who/where/when?. 'What' refers to the consideration of which factors or concepts logically ought to be included in the explanation of the phenomena of interest. 'How' discusses the relationships between the relevant factors by explicitly delineating patterns and introducing causality. 'Why' addresses the underlying psychological, economic, or social dynamics that justify the selection of concepts, and the arguments of their causal links. Finally, 'who/where/when' place the limitations on the propositions derived from a theoretical model. These contextual limits outline the generalisability of the theory. (Whetten 1989, 490–492.) Nevertheless, theories can and do take various different forms, and cannot be unambiguously characterized. Indeed, social sciences theories are always somewhat contingent, as they represent the subjective interpretations of the researcher, and cannot be readily attested or falsified. (Kallio 2006, 518.) As an applied science, the field of business and economics has furthermore deviated from the strict theoretical demands of other social sciences, and assumed a far more practical approach (Kallio 2006, 526).

The conceptual theory to be developed in this study, however, broadly adheres to Whetten's directions. It is precisely the objective of this theory to explain *what* distance-related determinants influence Sino-Western managerial knowledge transfers; *how* they influence it; *why* they have such an effect; and in *which* cases this is applicable. To achieve this objective, a general model was drawn up, depicting the various elements of the eventual theory (see Figure 4 below).

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┌─────────────────────────────────────────┐
│      MANAGERIAL KNOWLEDGE               │
│  TRANSFER PROCESS BETWEEN TWO           │
│           MANAGERS                      │
└─────────────────────────────────────────┘
                    ↓

          SINO-WESTERN CONTEXT

┌──────────────────────┐      ┌──────────────────────┐
│ BARRIERS TO KNOWLEDGE│ ⟷   │ EFFORTS TO FACILITATE│
│      TRANSFER        │      │  KNOWLEDGE TRANSFER  │
└──────────────────────┘      └──────────────────────┘
                    ↓

┌─────────────────────────────────────────────────────┐
│ EFFECTIVENESS OF MANAGERIAL KNOWLEDGE TRANSFER       │
└─────────────────────────────────────────────────────┘
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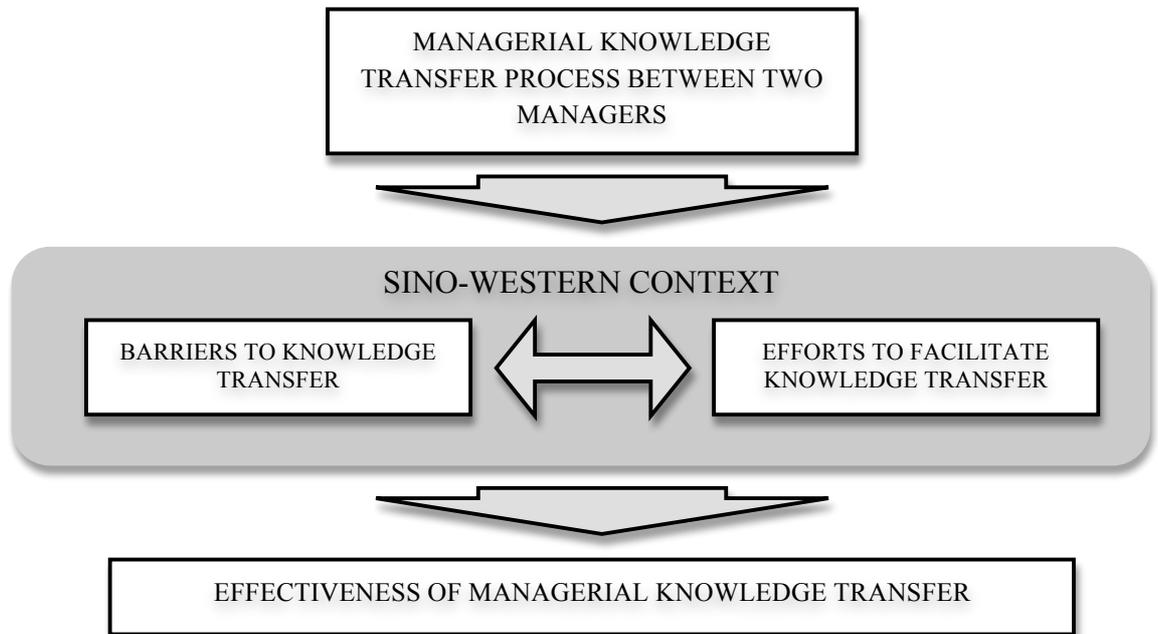
Figure 4   Framework for the transfer of managerial knowledge

The determinants of Figure 4 emerged from an extensive review of literature on the topic, and are in line with logically derived conclusions as to what could affect the effectiveness of such knowledge transfers. *Effectiveness*, here, represents the overall outcome or success of the transfer episode – in other words, the degree to which new knowledge could be embedded within the recipient's existing knowledge base (Lucas 2006, 259). Although it is the essential measure of success of Sino-Western knowledge transfers, thus imposing a value to transfer barriers and facilitators, it is in fact beyond the scope of this study to derive a consistent analysis of different levels of effectiveness in knowledge transfers, or of how these could be measured. The concept of effectiveness will therefore be used mainly as a criterion against which the effects of barriers and facilitators are to be judged.

In order to obtain a valuable analysis of the effects of contextual distances on the effectiveness of managerial knowledge transfers, it will first be necessary to conceptualise the transfer episodes themselves. As evident from Figure 4, this conceptualization will provide the basis upon which subsequent analyses can be built. This will be followed by an exhaustive analysis of both impeding and facilitating distance-related influences on knowledge transfer episodes. As the focus of the study is precisely on the effects of *socio-cultural distance* on managerial knowledge transfers, the analysis will be limited to such barriers and facilitators, which can be directly linked to the socio-cultural distance between two managers. The study does therefore not attempt to provide an all-pervasive theory on barriers to Sino-Western knowledge transfers.

As the nature of the effects of socio-cultural differences on any interpersonal interactions is directly dependent on the specific socio-cultural backgrounds of both parties involved, a thorough analysis must take such actual contextual differences into consideration. It was therefore deemed necessary to set the conceptual discussion about such barriers within context; the barriers and facilitators are thus discussed specifically from the perspective of Sino-Western managerial knowledge transfers. While this reduces the overall generalisability of the findings of this study, it indubitably increases overall value and trustworthiness, as it clearly defines the context within which propositions can be expected to hold true.

The conceptual framework presented in Figure 4 will be developed throughout the thesis. Each chapter will represent one component of the model: first the transfer process, then introducing relevant transfer barriers, before setting the discussion into the Sino-Western context and, finally, identifying possible mitigating factors. These representations will subsequently be combined, and presented in a complete model in chapter 7.

2.3   Evaluation of the research

In order for scientific research in any sphere to be credible, it is always necessary to demonstrate the strengths and limitations of the study; in other words, to bring forth its truth-value, provide a basis for applying it, and allow the consistency of its procedures and neutrality of its findings to be judged on an external level (Erlandson et al. 1993, 28–29). While there are various criteria for the evaluation of different scientific research, commonly used evaluation methods such as concepts of reliability, validity and generalisability for quantitative research, or Lincoln and Guba's (1985) concept of trustworthiness (applied to qualitative studies), are not entirely applicable for the mixed methods approach of non-empirical research. The evaluation of this study will thus be derived from an objective assessment of the manner in which previous studies were chosen and applied, and of the subsequent process of drawing conclusions and synthesising findings.

The exhaustive scope and careful critique of studies examined both in the purely concept analytical part of the study, and in the analysis of these concepts within the context of Sino-Western interactions, significantly added to the credibility of the study. Although not an empirical study, this research draws considerable foundational support from a wide selection of previous findings. After all, knowledge in the social sciences in general, and business research in particular, can never be fully extracted from its context; instead of being universally objective, it is constantly changing in accordance with its time and place. (Hirsjärvi et al. 2004, 134–135; Kallio 2006, 521.) This is

particularly true of the concepts at the centre of this particular study: socio-cultural distances, and their effects on managerial knowledge transfers, could not be studied thoroughly without placing them in their respective contexts.

As they represent the entire contextual dimension, the selection of studies under examination can therefore have a substantial effect on the conclusions made – inappropriate choices may abate the trustworthiness and accuracy of the results. Kallio (2006, 527) argued the selection of sources to be amongst the most pertinent stages of theoretical research, as it specifies the conclusions and implications the researcher can draw to support their research question. Indeed, the boundaries and formulation of the research question and the theoretical framework applied significantly frames the selection of sources; conversely, the available sources are likely to reshape the research objectives. (Kallio 2006, 527.) The sources applied in this study are comprised of a wide selection of studies from within the fields of international business, intercultural communication, knowledge management, sociology, and human resource management, among others. Selected source material represents the work of researchers from a variety of backgrounds and nationalities, with both Chinese and Western perspectives accounted for. While care was taken to approach the topic from as objective a perspective as possible, it ought to be remembered that the study has been written from a Western perspective, and might therefore be slightly biased regarding both the extent to which Western versus Chinese views are discussed, and the origin of the majority of resource material.

The source studies were selected on the grounds of their insight into socio-cultural distances between China and the West, and their implications on interpersonal interaction, communication, and knowledge transfer. Bearing in mind that the selection of sources relies largely on the competence of the researcher to determine proficiency of material, an attempt was made to obtain as multifaceted and circumspect an approach to the selection process as possible. Care was taken to select only credible, established sources – indeed, all used references are open to criticism and evaluation. As the trustworthiness of the results can be increased by an extensive use of appropriate sources, new sources were added until saturation was achieved, i.e. until new data become redundant of data already collected (Eskola & Suoranta 1998, 62–64). The process of selecting source material followed Eskola's (1966, 71) instructions by commencing with a thorough review of the most recent studies touching upon Sino-Western knowledge flows, and making use of their lists of references to find other relevant works. Frequent additional searches using a variety of headwords complemented this method.

The notion that this topic has only recently begun to attract researchers is evident from the literature used as the foundation of this study. The fact that the vast majority of literature is a mere few years old, however, serves the trustworthiness of this study, as

China's expeditious social development renders older research soon irrelevant. The subsequent analysis of the extant findings attempted to generate order and meaning through continual reflection and categorisation, in search for general statements in regard to the relationship among various categories (Erlandson et al. 1993, 111). A process of analysis and synthesis was applied to the findings; findings regarding the context-specific barriers to Sino-Western knowledge transfers were organised and interpreted to correspond with the concept analytical conceptualisations of such barriers, in order to extract knowledge relevant to the research objectives of the study at hand. Despite the extensive use of source material, however, the interpretations made and conclusions drawn from it are inevitably the result of the researcher's own subjective perception; this is likely to be the most significant hurdle for credibility in non-empirical research. The credibility of this research could have been significantly improved for instance through researcher triangulation, i.e. making sure the argumentation and conclusions made throughout the course of the study are logical by employing more than one researcher in the analyses. (Berg 2004, 5–6; Lincoln & Guba 1985, 301–316.) The linking of contextual knowledge with conceptual categories, however, made the analysis process more systematic, and can thus be expected to somewhat alleviate this limitation. Similarly, care was taken to establish precise contextual limits in order to increase trustworthiness. On the other hand, such limitations render the findings inapplicable to other contexts, as such a generalisation would be erroneous due to China's distinct characteristics. Furthermore, these precise contextual limitations add to the inherent complexity of the topic at hand, which is acknowledged as one of its major weaknesses as complexity in concepts is likely to attest instability. Another technique applied in this study with the purpose of increasing credibility is that of negative case analysis. Accordingly, the research assumptions were continuously revised with hindsight in order to account for all known material, so as to make sure that these assumptions hold true consistently. (Lincoln & guba 1985, 310–311.)

3 THE TRANSFER OF MANAGERIAL KNOWLEDGE IN MNCS

The following chapter will discuss the concept of knowledge transfer within the multinational company, establishing the concept of knowledge within an organisation, and discussing the nature of the intra-firm knowledge transfer process. As indicated in the introduction, the study will have a specific focus on the transfer of *managerial* knowledge, thus confining itself to a discussion of mechanisms applied in the process of transferring predominantly tacit knowledge across borders. It will therefore not be able to deliver a detailed discussion of all the salient topics covered by knowledge transfer literature. It is, however, acknowledged that existent literature on the management and transfer of knowledge is prolific and disparate, discussing it from a number of different perspectives. Accordingly, in addition to the issues brought forth in this chapter, the acquisition of a full understanding of the knowledge transfer concept would further require a study of such topics as technology transfer; the impact of other than contextual external and internal factors affecting the success of knowledge transfer; the transfer of specific practices; or the specifics of transferring knowledge across organisational borders and within networks, for instance.

3.1 Conceptualising knowledge

In order to successfully manage their knowledge resources, it is essential for organisations to be able to distinguish what kind of knowledge they possess, and what they can do with it. Subject to a lively epistemological debate, the question of how best define knowledge has been approached from a variety of perspectives, suggesting a number of implications for knowledge management research (Chini 2005, 5). With consideration of the approach taken in this study, knowledge as a concept will be distinguished from data and information, before introducing the dichotomies of *tacit and explicit* knowledge and *individual and organisation* knowledge.

Whilst perspectives vary substantially, it has generally been recognised within knowledge management literature that the concepts of data, information and knowledge are not interchangeable. The relation between each of these concepts is depicted in Figure 5.
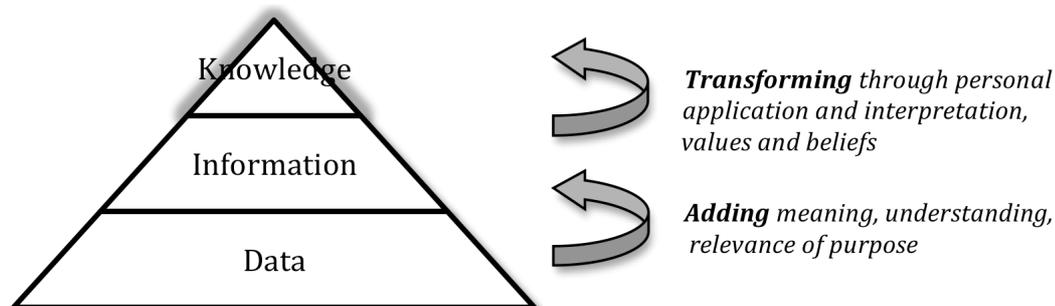
Figure 5   The relationships between data, information and knowledge (adapted from Liyanage, Elhag, Ballal & Li 2009, 120)

Data refers to a set of objective facts, frequently codified and stored in technology systems, and representing the mere structural records of a given transaction without information of how it can be used or applied in various contexts. Albeit crucially important for all organisations, data themselves are but the raw material for the creation of information. (Davenport & Prusak 1998, 1–3; Holsapple 2003, 169; Chini 2005, 5–6.)

The concept of *information* can be defined by its significance to its user. Provided with a meaning, embedded for instance within its relevance or purpose for the user and applicable in a specific context, data constitutes information. (Davenport & Prusak 1998, 4; Chini 2005, 6.) A combination of various pieces of information with interpretation and meaning, on the other hand, constitutes *knowledge* (Holsapple 2003, 169).

Knowledge significantly includes a component of subjectivity, and derives from information combined and applied in the minds of knowers (Davenport & Prusak 1998, 5). Knowledge is by no means a static concept, but instead a fluid interplay of experiences, values, and contextual information through which individuals can evaluate and incorporate new information – it therefore includes a normative component rendering it subject to ambiguity (Bhagat et al. 2002, 205; Kalling & Styhre 2003, 59; Chini 2005, 6). Accordingly, knowledge assets are not inherently definable, and can be explicit or implicit. Whilst an elusive concept, no unequivocal definition of which can be provided, knowledge management literature has widely accepted Nonaka and Takeuchi's (1995) definition of knowledge as 'justified true belief', which comes into being through the comprehension of new situations through justified beliefs held by the individual. Knowledge is embedded within an organisation's processes, routines and norms, and can be obtained from individuals or groups through actions such as comparisons of pieces of information in different situations, the derivation of consequences and implications of information for decision-making, the establishment of connections, and through person-to-person conversation. (Davenport & Prusak 1998, 6; Qin & Ramburuth 2006, 262; Chini 2005, 7.) In the multinational context, it is

important to acknowledge the nature of knowledge as embedded and context-dependent; it is created, organised and transferred by the belief patterns of its holders and its recipients, and therefore subject to considerable influences from culture-specific sets of values and frames of reference (Bhagat et al. 2002, 206). The transfers of knowledge across contextual boundaries therefore depend on an understanding between individual knowledge holders, who are likely to hold divergent perceptions of various terms (Kalling & Styhre 2003, 59; Chini 2005, 7; Holsapple 2003, 170).

Following a distinction between data, information and knowledge, it is further valuable to identify the various cognitive levels involved in order to be able to make decisions regarding the choice of media and storage devices used in knowledge transfer (Chini 2005, 8). Knowledge management literature frequently identifies knowledge as a function of skills (i.e. competences and capabilities); cognitive knowledge; and knowledge embodied in artefacts, such as products. Other classifications distinguish between the declarative 'knowing what' (i.e. know-what) and the more procedural 'knowing how' (i.e. know-how) (Holden 2002, 68; Gupta & Govindarajan 2000; Simonin 1999; Li 2004, 11). Similar to this, and amongst the most common distinctions onto which researchers today base their theories, is the distinction between *explicit or articulated* and *tacit or implicit* knowledge, first introduced by philosopher Polanyi in 1966.

Explicit knowledge refers to objective knowledge commonly codified through words, numbers or codes, thus constituting some systematic language amenable to transfer (Bhagat et al. 2002, 207). Once created, explicit knowledge may be further consumed for no marginal cost; as a public good, it can thus be resold without loss, and the mere act of marketing it makes it available to external parties (Grant 1996, 111). Tacit knowledge, conversely, is the subjective knowledge embedded within the experiences of an individual, involving their beliefs and emotions; it is non-verbalised and intuitive, difficult to teach and to learn, and inherently complex due to the multiple interactive components involved. Tacit knowledge is highly context-specific in that it is frequently acquired in the situation where it is used. This context-embeddedness manifests itself in high levels of *causal ambiguity*, referring to a basic ambiguity of causal relationships between activities and results (Simonin 1999, 597); tacit knowledge remains resistant to imitation and mobility as its contextual embeddedness leads to difficulties in identifying the factors responsible for superior performance, and individuals and companies alike are thus likely to be unaware themselves both of the resource and of the processes knowledge undergoes to achieve competitive advantage (Lucas 2006, 260). On an organisational level, tacit knowledge is deeply ingrained within organisational routines, cultures, and values. (Ambrosini 2003, 11; Bhagat et al. 2002, 207; Kogut & Zander 1992, 389.) Nonaka and Takeuchi (1995) have further segmented tacit knowledge into the technical dimension, encompassing specific,

informal skills or crafts; and the cognitive dimension, consisting of mental models, schemata, beliefs and perceptions. Distinguishing between tacit and explicit knowledge is of particular significance in knowledge transfer research, as it addresses the dimensions of knowledge transferability and applicability (Li 2004, 11). The idiosyncrasy of tacit knowledge, as well as its ambiguity and context dependency, render it slow, costly and uncertain to formalise and to transfer, although researchers have come to suggest that it is precisely within the sharing of this experience-based tacit knowledge that sustainable advantages commonly lie, due to the difficulties in imitating it. (Bhagat et al. 2002, 207; Li 2004, 11; Grant 1996, 111; Holden 2002, 69.)

A clear distinction between explicit and tacit knowledge, however, has not been considered entirely valuable, as all knowledge is assumed to contain both tacit and explicit elements, and boundaries are rather blurred (Holden 2002, 69). Accordingly, researchers have recently concluded that the focus ought to be on the ability of firms to articulate the tacit elements within their existent knowledge resources; the value of tacit knowledge does therefore emerge from the fact that it has not been articulated yet within the organisation. (Chini 2005, 9–10.)

Finally, management literature has distinguished between various levels of knowledge domains, most significantly between organisational and individual ones (Ambrosini 2003, 24). Constituting the basis for organisational knowledge, *individual knowledge* is embedded within the individuals' experience, and can be predominantly either explicit, i.e. documentable; or tacit, and thus accessible only through personal interaction (Lucas 2006, 260). It is easily transferable, as it moves with the person, and may therefore lead to difficulties of retention; competitive advantage based on individual knowledge is therefore inherently precarious. *Organisational knowledge*, on the other hand, reflects the organisations' belief systems, collective memories, references and values; it embraces all managerial and operational processes within the firm and represents a synthesis of thinking and actions of individuals (Ambos & Ambos 2008, 2; Qin & Ramburuth 2006, 262). More than the mere sum of individual knowledge bases, organisational knowledge lies within the relations between individuals within the firm (Qin & Ramburuth 2006, 262), hence providing the organisation with consistent properties irrespective of the temporary memberships of individuals (Ambrosini 2003, 24). Organisational knowledge can therefore be considered largely tacit in nature; routines are firm-specific, taken-for-granted, complex and path-dependent, implying limits to the extent to which they can be articulated (Ambrosini 2003, 27). Whilst organisational knowledge thus most commonly requires the involvement of individuals who are familiar with its components and implications, its can nonetheless possess explicit characteristics in the form of manuals and standard operation procedures, for instance (Lucas 2006, 260). From a knowledge management perspective, this distinction has particular significance for knowledge integrating

processes within the firm, emphasising the importance of managing knowledge as a resource.

The above-mentioned characteristics and domains of knowledge within organisations may be summarised in Figure 6 below.
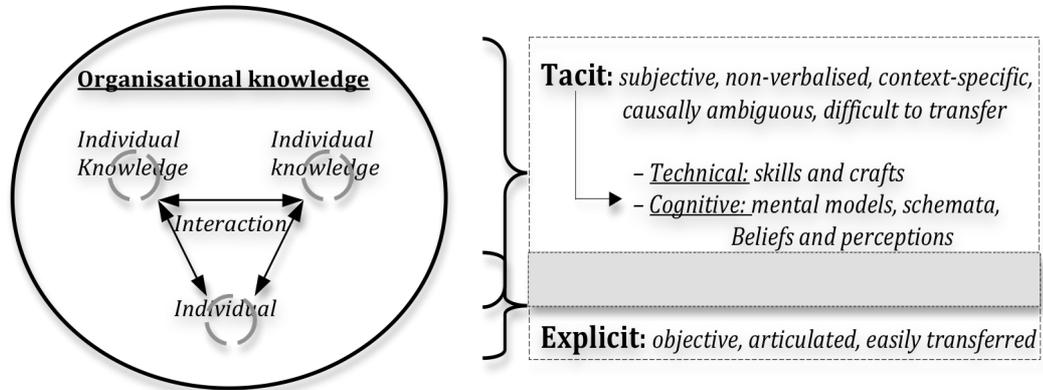
Figure 6   Knowledge domains and characteristics within an organisation

As illustrated in Figure 6, organisational knowledge emerges from the relations and interactions between individual knowledge-holder within the firm, and comprises both tacit and explicit elements. Whilst these elements are inevitably overlapping and thus not unambiguous, the tacit component of organisational knowledge is argued to be far more pronounced, as it constitutes the processes and procedures from which explicit elements are formed, as well as the values and belief systems underlying all organisational activities. Owing to this resonance and unquestionable potential, the thesis at hand will focus specifically on the management of tacit knowledge within organisations.

3.2 Determinants of tacit knowledge transfers in MNCs

Due to the inherent complexity and multi-dimensional nature of MNCs, knowledge flows within such organisations occur along multiple dimensions and in multiple directions, including transfers from headquarters to subsidiaries; from subsidiaries to headquarters; between individual subsidiary units; and in inter-organisational contexts or networks (Gupta & Govindarajan 2000, 474; Minbaeva 2007; 571; Kostova 1999, 309). Given the highly complex nature of knowledge flows within the international environment, it was deemed necessary to limit the area under investigation in this study to the knowledge flows between individuals from the parent corporation and individuals of one of its foreign subsidiaries.

Knowledge transfer in organisations can be defined as the process through which the experience of one organisational unit affects another (Dinur, Hamilton & Inkpen 2009, 433) through the identical or partial replication of knowledge from a provider to a receiver (Lucas 2006, 259) either explicitly or implicitly (Argote & Ingram 2000, 154), manifesting itself through changes occurring in the knowledge base or performance of the recipient (Argote & Ingram 2000, 151). It is thus not defined by its speed or extent, but is instead dependent on the effectiveness with which it provides desired results, and the degree to which it becomes embedded within its new environment (Lucas 2006, 259). Knowledge transfer therefore constitutes a dyadic exchange of knowledge ultimately occurring between a source and a receiver. This perception has been further extended (e.g. Szulanski 2003) to include four determinants relevant to the knowledge transfer process: source-related factors, recipient-related factors, factors related to the relationship between these two, and factors related to the message itself. The determinants of knowledge transfer are illustrated in Figure 7 below.
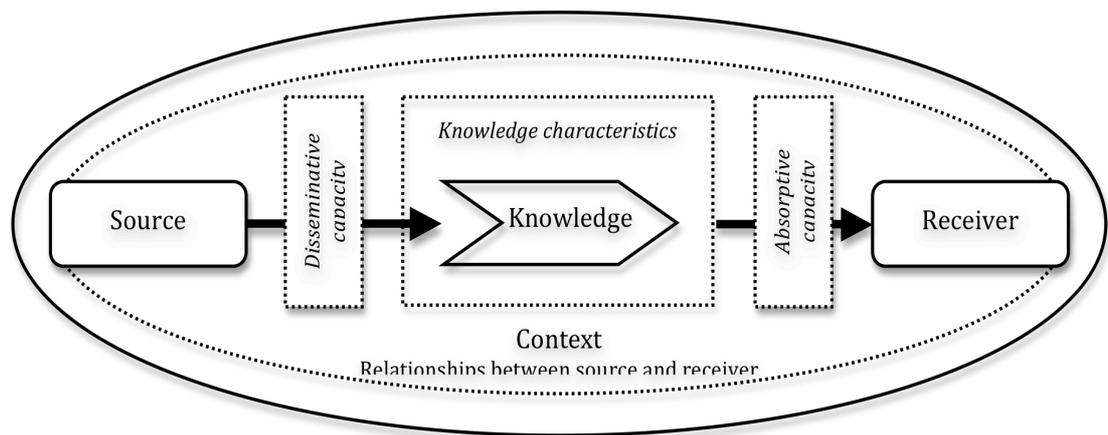
Figure 7   Knowledge transfer determinants (adapted from Minbaeva 2007, 569)

As evident from Figure 7, the ultimate success or effectiveness of knowledge transfers depend on a complex interplay of a variety of factors involving both parties, the message itself, and the context wherein the transfer occurs. Successful knowledge transfers occur between individuals whose personal characteristics and mutual relationship are conducive to sharing and assimilating knowledge, and who are capable of comprehending the tacit or causally ambiguous components of the message itself. (Minbaeva 2007, 569.) Whilst Grant (1996, 114) argued that it is not necessarily the actual transfer of knowledge, but the integration of many individuals' specialist knowledge that is key to optimal efficiency, the transfer of knowledge across the organisation is nonetheless crucial, as it allows for the dissemination of best practices and for the value of knowledge to be maximized; the resultant interdependence is focal in enhancing performance, reducing costs and facilitating control (Dinur et al. 2009,

433; Argote, Ingram, Levine & Moreland 2000, 2). The transfer of knowledge within the MNC is thus pivotal in supporting geographic expansion, as replication can confer value, and improve understanding and effectiveness of MNC-internal processes (Teece 2009, 129).

In line with the purpose and setting of this study, MNC headquarters and foreign subsidiaries will henceforth represent the source and recipient units of knowledge transfer. It is, however, important to keep in mind that in spite of such conceptualisations, the actual transfer process occurs on a far more specific level: transfers within these units can occur between individuals; between individuals and internal structures, converting individually held competences into systems and tools and vice versa; within the internal structure; and with external parties, through transfers between external structures and internal parties. (Chini 2005, 16.) In the light of this thesis, emphasis will be put on the transfers between individuals within the organisation, and the concepts of source and receiver, as well as headquarters and subsidiary, will henceforth refer to the individuals representing these parties.

Inter-unit interaction within the firm is crucial for MNCs in order to overcome the difficulties of acting within alien environments and to achieve competitive advantage. Once within the management's orbit, knowledge assets – not unlike other organisational resources – must be utilized effectively and orchestrated globally in order to confer maximal value. (Buckley 2006, 30; Teece 2009, 129.) Characteristics associated with the specific knowledge to be transferred can, however, significantly affect the process, costs and outcomes of knowledge transfer activities. Such characteristics include factors such as knowledge tacitness, complexity, ambiguity, and interdependence, and render some types of knowledge easier to transfer than others. (Argote & Ingram 2000, 156.) Whilst the transfer of technological knowledge and information accessible for codification is elementary, organisational and managerial competences and the cross-border transfer thereof are critical for superior performance due to their inimitable nature, and constitute the focal points of the study at hand.

Tacit knowledge elements transferred within MNCs include routinized processes and organisational practices, decision frames, heuristics and protocols – these include learning and innovation processes; business 'design' competence; investment allocation decision heuristics; asset orchestration, bargaining and transactional competence; and efficient governance and incentive alignment. (Teece 2009, 129–130; Kostova 1999, 309.) Transferred knowledge can come to reside in any sphere within the new unit: in design, production, sales and distribution, operation, or management, for instance (Zander & Kogut 1995, 77). As stated in the previous section, knowledge determined by its tacit components strongly resists transfer, as is it causally ambiguous and difficult to codify; the causal connections between actions and results are often not fully comprehended (Simonin 1999, 597). Indeed, the degree of tacitness has been found a

significant factor impeding knowledge transfer. However, it is important to comprehend that tacit knowledge does in fact not need to be articulated in order to be transferred; it suffices that the individual comes to possess tools appropriate to understand external information and act accordingly. (Minbaeva 2007, 573.) One could thus argue that all knowledge is transferrable – it is merely a matter of costs.

As observed in previous chapters, the transfer of tacit knowledge inherently involves elements of personal interaction, thus emphasizing the significance of factors related to the source and receiver units, the relationship between them, and the context within which transfer occurs; subsequently, individual and organisational learning take place. A reflection of individual learning efforts, organisational learning results from the combination and diffusion of individual knowledge, and is therefore a direct consequence of knowledge transfer activities within the organisation. (Zander & Kogut 1996, 502–503; Phene et al. 2005, 56.) For knowledge flows between headquarters and subsidiary to be effective, both parties must possess basic characteristics enabling knowledge transfer (Gupta & Govindarajan 2000, 475). The quality of knowledge transferred successfully is directly related to the source's disseminative capacity, and the receiver's absorptive capacity, as illustrated in Figure 8 below.
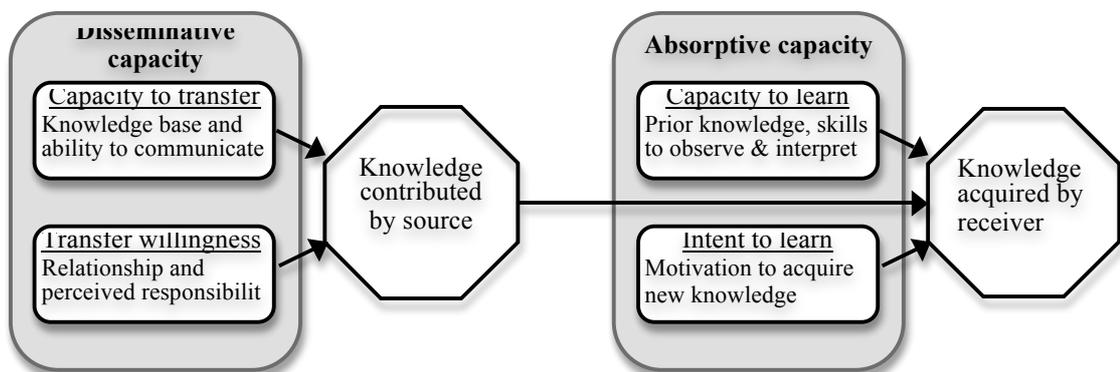
Figure 8   The role of disseminative and absorptive capacity in knowledge transfer (adapted from Wang et al. 2004)

As depicted in Figure 8, the transferor's *disseminative capacity* refers to the possession of relevant knowledge, and to its ability to impart such knowledge in a manner that enables effective assimilation by the subsidiary (Wang et al. 204, 173). Such ability comprises well-developed capabilities for the articulation and communication of knowledge, acquired through education, observation or involvement (Minbaeva 2007, 578). Whilst capacity constitutes the requisite condition for transfer, effectiveness is largely determined by the transferor's willingness to transfer, based mainly on its consideration of the subsidiary unit's importance for the MNC, their mutual relationship, and a variety of other incentives ranging from the perception of

responsibility to a potential loss of value (Minbaeva 2007, 577). Knowledge transfers, however, are not complete prior to the assimilation and application of the knowledge by its receiver, and *absorptive capacity* therefore constitutes a salient element; indeed, the inability to absorb transferred knowledge is considered amongst the most significant impediments to internal knowledge transfer (Gupta & Govindarajan 2000, 476; Minbaeva 2007, 575). Accordingly, the subsidiary unit must possess the *capacity* and *intent* to acquire new knowledge; individuals are to evince sufficient and relevant prior knowledge, in accordance with other necessary skills to observe and interpret new knowledge, as well as motivation to do so. (Wang et al. 2004, 173–178; Gupta & Govindarajan 2000, 475–476.) Absorptive capacity therefore represents the ability of the receiver to recognise the value of the knowledge, and assimilate it effectively in order to obtain improved competitiveness (Buckley 2006, 39).

The source and receiver units' disseminative and absorptive capacities in many ways represent the very core of successful knowledge transfers, as a lack thereof makes it impossible for messages to be transferred and received. Whereas ultimately the effectiveness and success of the transfer furthermore depends on other determinants as shown in Figure 7, it is noteworthy that many of the other factors derive their importance from their effect on disseminative and absorptive capacities; accordingly, several determinants related to contextual and relationship factors effectively affect the capabilities and willingness of source and receiver to share knowledge. (Minbaeva 2007, 575–578.)

The context wherein knowledge flows actually occur can both impede and facilitate their effectiveness and outcomes. The context of knowledge flows is a multifaceted concept, and has been considered from a variety of perspectives – including the context of the individual in the possession of whom the knowledge is; the human context of the knowledge itself; or the organisational context involved. (Dinur et al. 2009, 434.) Ultimately, the contextual variables of knowledge transfers are factors that define or confine the MNC's ability to utilise and transfer knowledge, and are specific to the organisational subunits involved. (Dinur et al. 2009, 434–435.) Such factors are for example local and organisational culture, strategy and technology, or the subunits' local environment, and exercise considerable influence over the gestation of each party's specific characteristics, and their dyadic relationships (Minbaeva 2007, 578). Contextual incompatibility can therefore act as a major hindrance to knowledge transfer effectiveness, and will be discussed in more detail in chapter 4.

The intra-firm transfer of tacit knowledge can be exploited and transformed into competitive advantages for the MNC in a variety of manners. At its simplest, the mere transfer and subsequent integration of relevant knowledge into the receiving unit's knowledge base suffices to promote effectiveness and competitiveness. In more complex situations – and particularly important in the event of a focus of individual

units on a narrow line of expertise –, the transfer of knowledge is merely a means to combine separated competencies, enabling them to create a new competence or skill. Finally, it may be essential to modify knowledge once transferred, in order to adapt it specifically to the new organisational context and develop a distinctively new competence. (Doz & Hamel 1998, 4–5.) In any event, it is essential for transferred knowledge to become embedded and diffused within its new organisational context, and the success of knowledge transfer can therefore be regarded as directly dependent on the ability of the receiving unit to integrate the new knowledge into its existing knowledge base, and exploit it to meet current and potential needs (Almeida et al. 2002, 147). The rudiments of successful transfer of tacit knowledge lie within the understanding of its origins, people, and processes; following this understanding is the comprehension as to what challenges exist, where they reside, and how the transfer efforts are affected by their contexts (Lucas 2006, 260–261).

3.3 The intra-firm knowledge transfer process in MNCs

Due to its context-dependent nature and close association with personal factors of the knowledge-holder, the transfer of tacit knowledge within the MNC is an inherently complex process even in dyadic relationships (Chini 2005, 27). The transferability of knowledge within MNCs is never entirely comprehensive, as knowledge is by definition embedded and transfer cannot be accomplished by the mere transmitting of information: knowledge has to be abstracted from its original context to a certain extent, and thereafter re-introduced to another context. The success of tacit knowledge transfer therefore relies heavily on the ability of source and receiver to identify and convey the core message as intended, and is thus heavily dependent on the individuals involved. (Chini 2005, 27; Teece 2009, 128; Krogh, von et al. 2000, 26–28) Knowledge flows can therefore not be directly paralleled by the flows of MNC-internal commodities – owing to their specific characteristics, they constitute a far more complex process occurring between individuals across various contextual boundaries (Buckley 2006, 31).

Due to the complexity involved, the laying of foundations for a model depicting the procedural stages of a knowledge transfer episode is by no means an unequivocal task. In fact, over time and through experience, multiunit firms tend to develop a unique set of organising principles portraying and directing the creation, improvement, and transfer of knowledge within the organisation. (Zander & Kogut 1995, 78.) In order to acquire an understanding of knowledge transfer, many researchers nonetheless have attempted to separate the transfer into comprehensible sub-processes, basing them on a variety of perspectives and assumptions. Although contextually different, most models possess very strong similarities. The main idea on which these models are based is the

collaboration and communication between the source and the receiver as discussed in the previous chapter, thus anatomising the process into a function of the *encoding* phase, in which the source packages the message to fit the media, and the *decoding* phase, during which the receiver deciphers the message (Chini 2005, 15; Liyanage et al. 2009, 123). Essential to these approaches are not only the actual transfer from source to receiver, but also the dissemination and interpretation of knowledge within its new context (Trott, Cordey-Hayes & Seaton 1995, 27). This composition can be further broken down into sub-processes such as those illustrated in Figure 9.
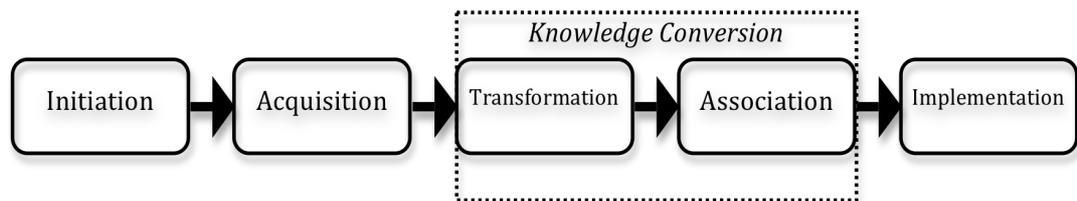
Figure 9   The knowledge transfer process (adapted from Liyanage et al. 2009, 126; Chini 2005, 15)

The individual stages of knowledge transfer presented in academic literature vary, albeit slightly, but can generally be fused into five: initiation; acquisition; transformation; association; and implementation (Liyanage et al. 2009, 125–126), as depicted in Figure 9. The first stage of the process of knowledge transfer is the recognition or awareness of the appropriate or valuable knowledge and subsequent *initiation*. The prerequisite for knowledge transfer hence relies on the receiver's ability to collect, collate, and summarize available knowledge, often through purposeful search and undirected viewing, and subsequently recognise its significance for the unit's unique needs and purposes (Major & Cordey-Hayes 2000, 415; Trott et al. 1995, 29).

The second phase is the *acquisition* of knowledge, presuming both source and receiver possess the ability and willingness for transfer (Liyanage et al. 2009, 126). This phase represents the actual transmission of knowledge from source to receiver through mechanisms determined by the specifics of the knowledge transferred. In the event of a transfer encompassing mainly readily codified explicit knowledge, this phase merely consists of the uncomplicated transmission of data and information; tacit knowledge, conversely, is defined by its resistance to transfer, and thus posits difficulties in this particular phase. Indeed, the transfer of tacit components frequently takes place during both the acquisition phase and subsequent phases, during which the receiver can obtain a thorough understanding of the embedded knowledge, underlying assumptions and

implications. On such occasions the acquisition phase might effectively merge into subsequent phases completely.

Particularly in regard to complex, tacit knowledge, the third and fourth phases of knowledge transfer represent the most significant ones. As tacit knowledge is highly context-specific, it may not be compatible as such if moved out of its familiar context and into another. Accordingly, such knowledge will have to be adapted and translated so as to form a fit between the knowledge and its new context. (Argote & Ingram 2000, 156.) This is of particular importance within MNCs, as knowledge transfers therein frequently involve radical differences between the source and receiver units' contexts, and the transfer of knowledge as a complete item without any adaptation is effectively impossible (Moilanen 2007, 760). Of the knowledge transfer process model above, phases three (*transformation*) and four (*association*) constitute the conversion of knowledge, creating a fit between the knowledge and its new context.

Transformation refers to the translation of knowledge through the contextualisation of the way it is to be utilised by the receiver unit, thus inducing compatibility between existing and newly assimilated knowledge (Chini 2005, 16; Liyanage 2009, 124). The transformation phase may consist of the mere adding or deleting of knowledge, or alternatively involve entirely new interpretations of it by "translating" the original knowledge from its own context to the context of the receiver and the personal framework of the counterparts, thus rendering it more accessible for application. (Holden 2002, 244; Liyanage 2009, 124–125; Moilanen 2007, 760.) Essential is the notion of transformation as ultimately a social learning process (Nonaka & Takeuchi 1995, 62–64) through which knowledge is translated into a form usable by others (Holden 2002, 244).

A widely applied model of knowledge conversion by Nonaka and Takeuchi (1995) sheds light on the specific processes of knowledge translation and transformation, basing it on the assumption that tacit knowledge must first be converted in order to be mobilised (Holden 2002, 244). The four modes of knowledge conversion (see Figure 10) describe the relationship of pre-existing knowledge and newly assimilated knowledge, and the conversion process taking place to allow for utilisation of knowledge by those in need of it.

Tacit knowledge *To* **Explicit knowledge**

	Tacit knowledge *To* **Explicit knowledge**	
Tacit Knowledge *From*	**Socialization** (Sympathized knowledge)	**Externalization** (Conceptual knowledge)
Explicit knowledge	**Internalization** (Operational knowledge)	**Combination** (Systemic knowledge)
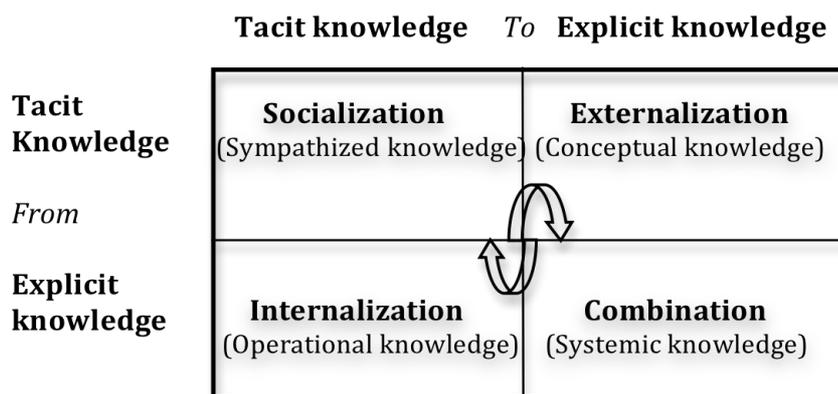
Figure 10   Four modes of knowledge conversion (adapted from Nonaka & Takeuchi 1995, 62)

The four modes of knowledge conversion in Figure 10 represent the process of re-expression of knowledge such as skills in tacit form into explicit form through sharing experiences (Holden 2002, 244). The process of *socialization* creates common tacit knowledge through shared experiences, thereby evoking common unarticulated beliefs or embodied skills, and mutual trust (Nonaka, Umemoto & Sasaki 1998, 148). *Externalization*, on the other hand, articulates tacit knowledge into explicit components by making use of metaphors, analogies, concepts, hypotheses and models. As established in earlier chapters, tacit knowledge is defined by the fact that it cannot be fully articulated; the externalization process is therefore inevitably inadequate and inconsistent. However, such discrepancies promote reflection and interaction, and albeit insufficient, externalization is often a potent means to the end of knowledge transfer. (Chini 2005, 18–19; Nonaka et al. 1998, 149.) Concepts are systematized within a knowledge system through the process of *combination* (Liyanage et al. 2009, 124). This process involves the linking of different bodies of explicit knowledge, as well as the breaking down of a concept to deductively create a managerial knowledge (Nonaka et al. 1998, 149). Finally, *internalization* converts explicit knowledge into tacit, operational knowledge, primarily through 'learning by doing' (Liyanage et al. 2009, 124). It thus concludes one round of the knowledge conversion process; internalizing explicit knowledge that has been externalized by the holders of experience-based tacit knowledge. The process does not, however, end here, as it can spiral continuously across these four modes. (Nonaka et al. 1998, 149.)

Consistent with the assumption that tacit knowledge, whether alone or in conjunction with explicit knowledge, is a source of considerable competitive advantage, Nonaka and Takeuchi (1995) placed particular emphasis on socialisation as being focal to the success of the conversion process; albeit notably prone to difficulties when counterparts have different contexts, and a mutual understanding cannot be reached (Holden 2002,

74). With relation to the knowledge transfer processes in particular, it is furthermore possible to view each of these four conversion processes as singular transfers between source and receiver; every knowledge transfer thus engages in one or more of these processes in order to process the inflowing or outflowing knowledge (Chini 2005, 19).

Past transformation, the second phase of knowledge conversion is a process wherein the transformed knowledge is related to the internal needs of the receiver, i.e. association. Thus, the potential benefit of the knowledge is recognised as it is being associated with the existing capabilities and needs, eventually rendering the newly acquired knowledge applicable to its receiver. (Trott et al. 2000, 29; Liyanage 2009, 127.) Finally, knowledge is institutionalised during the *implementation* phase to become an integral part of the receiving unit (Chini 2005, 16). The application of transferred knowledge completes the process, and has the potential of improving performance and creating actual value by being used to address and solve problems within the unit (Liyanage 2009, 127.)

Whilst the above steps complete this process model of knowledge transfer, a variety of other elements are of significance for the actual transfer of knowledge and relate to the model presented. Significantly, there are various factors influencing these processes with the power to either impede or facilitate transfers. An understanding of the success and failure of a knowledge transfer process thus requires an identification and assessment of factors influencing the process and their level of impact on it. Such factors may include both extrinsic influences, such as technological, political and socio-economic issues, and intrinsic ones, such as person-specific or cultural factors. (Liyanage 2009, 127.) Barriers and facilitators to knowledge transfers will be discussed in further detail in chapter 4.

3.4   Mechanisms for the transfer of managerial knowledge in MNCs

As established in the above chapter, knowledge transfer is a complex and multifaceted process upon which a variety of factors impinge. Although transfers ultimately pass through the same stages, the actual process is heavily influenced by the specific knowledge characteristics, and consequently, by the respective mechanisms applied. Indeed, an informed choice of transfer mechanisms is pivotal in order to avoid a loss of distinctive properties of knowledge, resulting in the transfer of less vibrant information or data (Davenport & Prusak 1998, 68). Furthermore, the mechanism applied must be capable of encompassing and realising the transformation of knowledge to make it applicable to its new context (Argote & Ingram 2000, 156). Accordingly, the choice of appropriate mechanisms depends on the nature and properties of the knowledge itself; whereas predominantly explicit knowledge may be easily transferred through

information technology systems, tacit knowledge requires mechanisms that are more sensitive to its resistance to transfer (Jasimuddin & Zhang 2009, 707).

Reducing knowledge to the somewhat simplistic dichotomy of tacit and explicit, the following representation of the relation between knowledge characteristics and knowledge transfer mechanisms can be drawn up:

Physical accessibility   Electronic accessibility

Face-to-Face / Telephone / Written personal / Written formal / Numeric formal

Tacit knowledge   **Explicit knowledge**
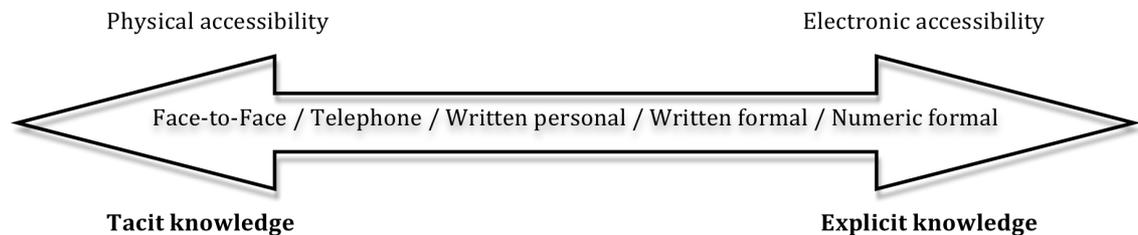
Figure 11   Knowledge characteristics and transfer mechanisms (adapted from
              Wathne, Roos & Krogh, von 1996, 62)

As evident from the above figure, tacit and explicit knowledge components differ significantly in their transferability and therefore require dissimilar mechanisms for effective transfer (Wathne et al. 1996, 62). Owing to the fact that any actual piece of knowledge is in fact a combination of both explicit and tacit components, the process of knowledge transfer is, however, complicated by the frequent necessity of applying multiple mutually reinforcing channels of knowledge transfer simultaneously to achieve the comprehensive transfer of intended knowledge properties (Davenport & Prusak 1998, 159; Buckley 2006, 39). Such overlapping is evident from the representation of tacit and explicit knowledge as a continuum; the borders between different types of knowledge are notoriously ambiguous, and consequently the choices of mechanisms for transfer are rarely unequivocal (Jasmuddin & Zhang 2009, 707). Various researchers (e.g. Jasimuddin & Zhang 2009, 708) have furthermore suggested that explicit and tacit mechanisms too are inseparable, as explicit mechanisms are supported by the tacit knowledge. Bearing such complicating factors in mind, one may nonetheless make general observations about the different mechanisms applicable to the transfer of predominantly explicit, or predominantly tacit forms of knowledge.

As explicit knowledge is readily codifiable, it allows for relative ease of transfer; it can be embedded in technology, and transferred at considerable speed, at low cost, and with relatively few immediate barriers (Argote & Ingram 2000, 158). Transfer of explicit knowledge does not require physical interaction, but occurs mainly through electronic means; frequently applied mechanisms include firm-internal databases, e-mail, the Internet, various knowledge directories, books and documents, and reports, among others. Explicit forms of knowledge are thus generally transferred in numeric form, or otherwise universal and formal formats. (Ambos & Ambos 2008, 3; Argote & Ingram 2000, 3; Jasimuddin & Zhang 2009, 708.) Crucial for international transfers,

explicit knowledge has by definition been largely stripped of its context-embeddedness, and can therefore be fairly manageably introduced into new environments. Although they may lack the sensitivity of people, mechanisms of explicit knowledge transfer benefit from being consistent, and allowing for large scale transfers with little regard for idiosyncrasies of individual members. (Argote & Ingram 2000, 159.) Whilst indubitably effective, technological mechanisms nonetheless also facilitate knowledge transfer externally; it thus remarkably increases the risks of knowledge spillover to other organisations (Argote & Ingram 2000, 158).

In contrast, tacit knowledge is not equally amenable to transfer in a systematic or logical manner, and transfer is often costly and slow (Nonaka & Takeuchi 1995, 9; Jasimuddin & Zhang 2009, 708). Due to high degrees of ambiguity, no established scripts or symbols are available to interpret and transfer messages, and such knowledge therefore calls for a medium that can convey a large variety of cues and allow for rapid feedback (Wathne et al. 1996, 62). Difficult to identify and express, tacit knowledge thus can only be transferred by mechanisms sensitive to its contextual embeddedness, and inevitably involves intimate human interaction between transferor and transferee. (Li-Hua 2004, 54; Ambos & Ambos 2008, 3; Jasimuddin & Zhang 2009, 707.) Knowledge is shared through language and stories, as well as through the observation of practices or learning by doing within a communal context. As a result of such interaction, common understanding and shared implicit coding schemes are accumulated, thus enabling the comprehensive transfer of tacit components. (Jasimuddin & Zhang 2009, 707; Qin et al. 2008, 269.) Personal communication and related methods are therefore integral to the transfer of tacit knowledge; frequently applied mechanisms include meetings, cooperation, personal contacts, personnel movement, training, and various working relationships, such as mentoring, internships, partnerships and apprenticeships (Buckley 2006, 39; Argote et al. 2000, 3).

Discussing knowledge transfer mechanisms, it appears momentous to point out that not all knowledge transfers are in fact formally induced and managed. Despite the term "knowledge management" unquestionably implying formalised activities, substantial levels of vital knowledge transfer activities occur in a spontaneous and unstructured manner. (Davenport & Prusak 1998, 89.) Whilst formal mechanisms for transfer are vital, and often considered more effective, they may also inhibit creativity and innovation (Liyanage et al. 2009, 125). Informal mechanisms of knowledge transfer include spontaneous conversation or bonding activities, and are frequently mistaken by management as a 'waste of time'. In fact, such activities not only allow for the self-induced transfer of knowledge between individuals, but furthermore consolidate mutual understanding, thus facilitating other forms of knowledge transfer. (Davenport & Prusak 1998, 90; 93)

As established in previous chapters, managerial knowledge comprises a considerable scope of knowledge with both tacit and explicit characteristics. It nonetheless appears reasonable to imply that managerial knowledge is predominantly implicit, as its less contextual characteristics themselves, although readily identifiable, tend to be tied to knowledge holders and are therefore not entirely codifiable. Such less contextual forms of managerial knowledge are henceforth referred to as universal, as they represent knowledge that is directly transferred from one context to another; such as specific management systems, for instance. In addition to the transfer of universal practices, the transfer of managerial knowledge essentially includes the dyadic transfer of contextually embedded and highly tacit knowledge, such as management skills or an apprehension of local organisational politics or cultural differences. (Hong & Nguyen 2009, 349.) As presented in chapter 1.1.2, managerial knowledge can be divided into systemic and strategic components, both of which are of equal significance in the transfer of managerial knowledge. In accordance with this distinction, mechanisms of managerial knowledge transfer for systemic and strategic knowledge components will be presented separately.

A thorough understanding of systemic knowledge requires a comprehension of various interrelationships between social, organisational and technical elements that support the firm's core competence, as well as context-specific organisational systems and procedures, and the influence on these of cultural differences. In general terms, comprehension of such complex factors is non-codifiable, and thus largely tied to the individuals holding the knowledge. (Hong & Nguyen 2009, 352.) The transfer of systemic knowledge thus relies on the *interaction* between relevant individuals, and consequent *translation* of implicit forms of knowledge (see Table 2).

Table 2   Mechanisms for the transfer of systemic knowledge (adapted from Hong & Nguyen 2009, 351)

Knowledge type	Embeddedness	Examples	Mechanisms	Specific techniques
Systemic knowledge	Universal	Quality management, management systems	Interaction	Meetings
				International assignments
	Locally embedded	Power and politics in organization, cultural difference, management skills	Translation	Systematization
				Observation, co-participation

Interaction between foreign and local managers can be established through a number of mechanisms; most commonly applied are those of meetings, job rotation and related

international assignments. (Hong & Nguyen 2009, 352; Wathne, Roos & Krogh, von 1996, 62.) The key to successful transfer appears to be intimate and frequent communication; meetings thus provide a pivotal medium for transfers of systemic knowledge, and at best allow for instantaneous feedback and personally tailored messages (Teece 1998, 63). To enable intimate interaction over variables of distance and thus facilitate systemic knowledge transfer, multinational companies often employ international assignees. International assignments may be used to stimulate knowledge creation and thus increase the entire company's knowledge base; to provide locally unavailable forms of technological or administrative knowledge; to develop or control local operations or managers; or to transfer a function or process to a foreign subsidiary, for example. The use of international assignees allows for the diminution of impeding factors resulting from geographical distance, and thus consolidates intimate interaction between individuals. (Lucas 2006, 259; Qin et al. 2008, 269.) Collaboration and communication furthermore help managers to acquire different perspectives and a holistic understanding about a variety of activities and influences relevant to operations (Hong & Nguen 2009 352). The movement of people allows for fast knowledge acquisition, and the presence of international assignees is frequently a prerequisite for transfers of highly tacit forms of knowledge, or when the objective of the transfer is to change the mindset of recipients (Wang et al. 2004, 174–175).

Whilst the above mechanisms are useful in the transfer of universally embedded systemic knowledge, the transfer of highly contextual knowledge frequently requires further actions in order to be fully comprehended. A mutual learning process, the transfer of systemic knowledge attempts to find a fit between broad management principles and the idiosyncrasies of local contexts (Jensen & Szulanski 2004, 510). In addition to personnel movement and the general facilitation of communication, relevant mechanisms for the transfer of systemic knowledge involve the translation of the foreign knowledge to make it applicable for local problems. (Argote & Ingram 2000, 157.) Such mechanisms correspond with the translation and association stages of the knowledge transfer process introduced in chapter 3.4, and accordingly involve active knowledge conversion. Translation thus involves various procedures and social arrangements the main tasks of which are to address and match the novel conditions of the local context. (Hong & Nguyen 2009, Jensen & Szulanski 2004, 510.) Owing to their ability to adapt and restructure knowledge in order to create compatibility with its new environment, individuals and their interactions are essential for these processes (Argote & Ingram 2000, 157). Individual techniques of knowledge translation include systematization and co-participation.

In the process of systematization, formal management systems are put into place, and subsequently applied and institutionalized to fit the local needs and requirements. This mechanism is a very intense learning process for local managers, whose task is to

understand the implications of each newly introduced system, and to modify it to fit the local context. Co-participation, conversely, refers to the actual process of combining foreign and local actors in order to effectively share knowledge and experiences on systems and cultures, and thus facilitate mutual understanding. Frequently informal, co-participation is a powerful tool to transfer implicit knowledge both about the company's own procedures and about differing values and schemes; it can thus efficiently support managers in complementing the inadequacies of foreign systems. (Hong & Nguyen 2009, 353.)

Whilst the above-mentioned mechanisms apply aptly to the transfer or systemic components of managerial knowledge, strategic components require a different set of systems. Strategic knowledge refers to highly tacit and complex forms of knowledge embedded within the minds of senior managers, and of considerable significance for the whole organization. Similarly to systemic knowledge, strategic knowledge may be divided into universal and locally embedded forms (see Table 3), of which the former refers to strategically relevant knowledge that is not tied to contextual variables, thus including an understanding of the industry business model and the firm's strategies, and the relevant domains of competition. Locally embedded strategic knowledge, conversely, is intimately interwoven with the idiosyncratic elements of the local business contexts, including knowledge of local institutions and systems that influence the business. (Hong & Nguyen 2009, 353–354; Prahald & Bettis 1986.)

Table 3   Mechanisms for the transfer of strategic knowledge (adapted from Hong & Nguyen 2009, 351)

Knowledge type	Embeddedness	Examples	Mechanisms	Specific techniques
Strategic knowledge	Universal	Successful business models, strategic mindsets, industry competit.	Sense-making and sense-giving	Experiential learning, reflection
	Locally embedded	Management of external stakeholders, local institutions and business systems	Integration	Boundary spanning
				Cultur. translators, knowledge exchange

An understanding of a company's universal strategic knowledge is facilitated by social interpretive processes, which allow the top management to comprehend current situations in order to develop strategic responses (Maitlis & Lawrence 2007). For many local managers with previous functional orientation, such an apprehension requires a considerable change in mindsets, attained chiefly through mechanisms of experiental

learning, thus allowing for trial-and-error processes; and reflection, through which local managers make connections between functional processes and underlying business dynamics. (Hong & Nguyen 2009, 353–354)

While such transfer of universal strategic knowledge is expected to occur mainly from headquarters representatives to local managers, the transfer of locally embedded strategic knowledge ought to flow in both directions. Strategic knowledge of local influences and the appropriate management thereof is acquired mainly through integration, and the active exchange of an extensive array of topics in order to create an 'alertness' about the contextual variables affecting business units. (Hong & Nguyen 2009, 353–354.)

In conclusion, the transfer of managerial knowledge between expatriate managers and local managers is in effect a process of inter-personal communication intended to establish mutual understanding and, subsequently, allow for the transmission of implicit and experience-based knowledge. While such interaction may be challenging enough within individual units, a further multiplicity of challenges emerges in an international context. Indeed, substantial differences in cultures, institutions and cognitions can be severe impediments for the smooth flow of knowledge between individuals and units. The following chapter will identify such distance-related barriers to knowledge transfers, and suggest strategies to counter them and facilitate the flow of knowledge within multinational organisations.

4 BARRIERS TO TACIT MANAGERIAL KNOWLEDGE TRANSFERS OVER SOCIO-CULTURAL DISTANCE

As established in chapter 3, the success and effectiveness of knowledge transfer is affected by a number of factors, many of which considerably increase in significance once the transfer process crosses national and cultural borders. Contextual differences are of particular importance in the transfer of managerial or other highly tacit forms of knowledge, due to their dependence on interpersonal communication and the establishment of a common understanding between the individuals involved – barriers to the transfer of tacit forms of knowledge directly reflect the barriers to inter-personal communication. The following chapter will provide a detailed analysis of such barriers facing knowledge transfers within multinationals.

4.1 Contextual distances and their effects on the effectiveness of managerial knowledge transfers

Assessing knowledge transfer successes or failures, it is noteworthy to make a clear distinction between knowledge resources and common economic goods; indeed, knowledge provides no value by mere exchange, as an information good might, and therefore invites an evaluation focus on transfer *effectiveness*, instead of success (Ambos & Ambos 2008, 2). After all, no knowledge can be 'fully' replicated in a new location, and effectiveness merely indicates the institutionalization of knowledge; that is, the degree to which transfer activities have enabled improvements in the recipient's operations (Chini & Ambos 2005, 2; Kostova 1999, 311) by embedding new knowledge within an organisation's existing knowledge base (Lucas 2006, 259). Effectiveness of knowledge transfer thus arises from successful implementation and internalization of knowledge, whereby the former refers to the degree to which the knowledge or practice is implemented and applied in the recipient unit, and the latter suggests the attachment of the recipient's own symbolic meanings to the knowledge, thus incorporating it into the existing knowledge and value structures and becoming 'taken-for-granted' (Kostova 1999, 311).

As discussed in chapter 3.2, there are various impediments to managerial knowledge transfer effectiveness rooted within the determinants of source and receiver, message and context. Indeed, the process of managerial knowledge transfer is subject to a variety of influences, and does often not flow smoothly (Gupta & Govindarajan 2000, 474). Knowledge assets are said to be 'sticky', referring to their difficulty of transfer (Jensen & Szulanski 2004, 509) and the costs thereof (Buckley & Carter 1996, 37). Szulanski (2003, 13) furthermore argued that it is not merely the knowledge assets but also the

actual transfer process that is sticky; some transfers appear to require more vigilance and effort to succeed. The previous chapters demonstrated the frequent requirement of adapting knowledge assets to the unique contextual setting of the transferee, as practices and other forms of knowledge are imbued with meaning and value beyond technical aspects and therefore reflective of their original institutional environment. This is particularly true for systemic and strategic types of knowledge, largely defined by their contextual embeddedness and tacitness. (Jensen & Szulanski 2004, 510.) Such knowledge-specific barriers to knowledge transfer are in fact among the most significant of all impediments; the more tacit and complex the knowledge is, the more difficult it is to transfer effectively, because it is so deeply embedded within the individual's cognitive processes that communication and transfer requires richer context (Mazloomi Khamseh & Jolly 2008, 37). It then follows that the transfer of tacit and complex knowledge, such as managerial knowledge forms, directly depends on the effective interaction of the individuals involved in the transfer process, and, accordingly, impediments to the effectiveness of managerial knowledge transfers directly reflect the impediments to inter-personal communication and understanding. (Jensen & Szulanski 2004, 510.) Ultimately, the effectiveness of the entire transfer process thus boils down to the capacity and willingness of both managers to take part in a transfer process with the other party – that is, the effectiveness of dyadic knowledge transfers is ultimately determined by the disseminative and absorptive capacities of the transfer parties (see chapter 3.2 for further reference) (Minbaeva 2007, 575–578). This, in turn, evokes the need to understand the effects of differences in cultures, governmental regulations, market characteristics, and labour practices, among other factors, on such capacities for mutual understanding (Jensen & Szulanski 2004, 510).

Conceptualising the relationships between intra-organisational units or the individuals involved, the notion of distance in any of its multifaceted dimensions emerges as pivotal. Distance is detrimental for knowledge flows, as an increase in distance generally coincides with a loss of knowledge, relationships, and trust, undermining the ability of individuals to act over distance (Ambos & Ambos 2008, 4.) Growing contextual distance reduces the likelihood of common knowledge between source and receiver, and as it is common knowledge that allows for the sharing and integration of knowledge aspects which are *not* mutually held, the lack thereof can severely hinder effective knowledge transfers (Grant 1996, 115–116). The effects of contextual distances on absorptive and disseminative capacity are highly significant; as barriers evoked by contextual distances tend to more heavily affect the ability to receive and absorb knowledge than the capacity to send it, however, the emphasis lies particularly on absorptive capacity. This is due to the fact that contextual distances affect both the intent *and* the capability to absorb knowledge, whereas contextual effects on disseminative capacity are limited mainly to the willingness to transfer (as capability

to transfer is determined by the existence of the required knowledge base, and is thus unrelated to the characteristics of the other party, or the distance between the two). The receiving unit's capacity to acquire knowledge is heavily influenced by knowledge gaps or misunderstandings resulting from contextual distance and insufficient commonality (Li & Scullion 2006, 78; Ambos & Ambos 2008, 4), and attitude formation stimulating the intent to learn is frequently obstructed by the lack of trust and commitment originating from different value or belief systems (Gupta & Govindarajan 2000, 476), for instance. Indeed, there appears to be a consistent negative correlation between contextual distance and absorptive and disseminative capacities (e.g. Nooteboom, Vanha Verbeke, Duysters, Gilsing & Van Den Oord 2005, 2).

A growth in contextual distance can be expected to lead to an increase in distance-induced barriers to knowledge transfer due to an increasing separation of commonalities (these barriers will be discussed in more detail in chapter 4.3). This, in turn, negatively affects the recipient's capacity and intent to absorb or transfer knowledge, resulting in a corresponding decrease in absorptive and disseminative capacity. In order for the recipient to be able to identify, absorb and assimilate new knowledge, their absorptive and disseminative capacities must be higher than the effect of various detrimental barriers – accordingly, knowledge transfer is effective only until contextual distance exceeds the point where barriers overpower disseminative and absorptive capacities. Distance is in fact not exclusively detrimental to knowledge flows, as distant locations frequently hold unique potential for novel knowledge and creative solutions (Ambos & Ambos 2008, 4). Increases in contextual distances allow for the creation of entirely novel combinations of resources, thus fuelling innovation. However, as soon as distance and related barriers preclude the mutual understanding on which knowledge transfers and collaboration are based, they emerge as severely detrimental. (Nooteboom et al. 2005, 2.)

Dinur, Hamilton and Inkpen (2009, 435) argued that an increase in distance is in a direct causal relationship to transfer *eventfulness*. Eventfulness as a concept is linked with knowledge stickiness and distance-related barriers, and is a function of the costs of transfer, the time span of transfer, and the satisfaction of involved parties; hence, a knowledge transfer process is considered eventful when it costs more or takes longer than expected, or otherwise leaves parties unsatisfied. (Dinur et al. 2009, 435.) Eventful transfers may require either party to make further adjustments or improvements in order to diminish the impeding effects of distance, demanding time and resources. Whilst eventfulness inhibits transfer process effectiveness and thereby increases costs, it does not refer to transfer outcomes or success – a transfer can therefore be both eventful, and successful. (Dinur et al. 2009, 436; Ambos & Ambos 2008, 4.)

Having established that distance is a considerable impediment for effective knowledge flows, it is important to emphasise that distance is in fact not a constant

(Holden 2002, 246). Analogous to the fact that geographical distances vary considerably between different transfer parties, institutions too are not equidistant from the source's institutional context, and vary substantially between different countries and societies (Li & Scullion 2006, 73). As distances increase, so do the pressures for parties to adapt the process in order to overcome contextual barriers. It follows, then, that an increase in distance generally coincides with an increase in potential benefits of adaptation. (Jensen & Szulanski 2004, 511.) Similarly, contextual variables are not equidistant on all dimensions, and the contextual barriers for any specific knowledge transfer are therefore a complex function of a variety of distances, and consequent difficulties (Ambos & Ambos 2008, 4).

4.2 Barriers to managerial knowledge transfers due to socio-cultural distance

The contextual environments within which knowledge flows occur have been categorized and characterized in a variety of ways. For instance, Kostova (1999, 312) distinguishes between social, organizational, and relational contexts; the *social context* represents the regulatory, cognitive, and normative differences between source and receiver, whereas the *organisational context* is conceptualized in terms of the receiver's organizational culture, motivation and previous expertise, and the *relational context* stems from past relationships between the "key players" of the two parties. Similarly, Studer and Stojanovic (2005) conceptualised knowledge context from an individual perspective, distinguishing personal, social and working contexts. Dinur, Hamilton and Inkpen (2009), on the other hand, concentrated on the contextual influences specific to the transfer of a best practice, coining such influences critical contextual variables, and including culture, strategy, decision-making structure, environment, and technology.

Most frequently discussed contextual factors affecting knowledge transfer, regardless of the perspective from which the context is analysed, include national and organisational cultures, formal institutions and informal constraints (e.g. customs), geographic and economic differences or distances, and 'psychic distance', including factors such as language, education and business practices (Li & Scullion 2006, 75–76; Ambos & Ambos 2008, 4). In broad terms, distances and barriers between transferor and transferee can be divided into two dimensions: firstly, spatial 'dispersion', defined mainly by geographic distance and affecting the intra-firm flows of knowledge through obstacles of reduced interaction, different time zones and long transmission channels; and secondly, contextual 'differentiation', involving cultural, linguistic, and professional differences (Ambos & Ambos 2008, 4).

This thesis focuses on distances influencing the intra-organisational interaction of two individuals from different socio-cultural backgrounds within close proximity of each other; spatial, technological, regulatory or strategic distances were therefore deemed less relevant for managerial knowledge transfer effectiveness in this case and are excluded from further discussion. The focus will thus lie on the effects of *socio-cultural* distances on knowledge transfers; including cultural, linguistic, and 'psychic' dimensions. Partly overlapping, common to these perspectives is the emphasis on social embeddedness as an influence on knowledge transfer effectiveness; any transfer of knowledge between two individuals is bound to be affected by their socio-cultural constructs and frameworks, the manner in which they view and understand their surroundings and hence the meaning they lend the message itself (Ambos & Ambos 2008, 4). It follows, then, that an incompatibility or insufficient commonality between the socio-cultural frameworks of sender and receiver may negatively affect knowledge transfer effectiveness (Ambos & Ambos 2008, 4). This is of particular significance when transferring managerial knowledge, which, due to its tacit and context-embedded nature, is particularly difficult to transfer.

The negative effect of contextual incompatibility on knowledge transfer effectiveness is enforced by a variety of cognitive and psychological barriers, which arise as a consequence of contextual separation. In the case of socio-cultural distances, these barriers can be broadly divided into cognitive barriers, normative barriers, and attitudinal barriers, as illustrated below.
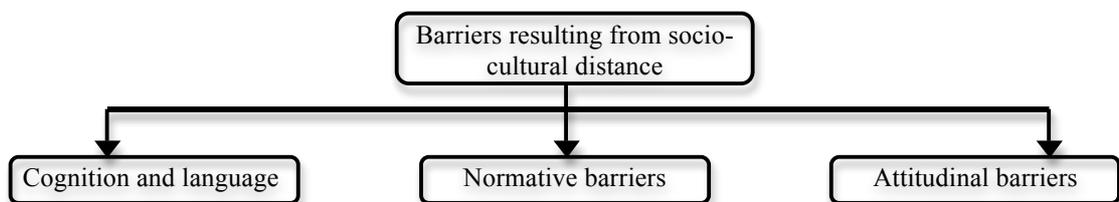
Figure 12   Cognitive and psychological barriers to managerial knowledge transfers

The above barriers spring from socio-cultural distance, and have a detrimental impact on absorptive capacity, thus limiting knowledge transfer effectiveness. While interconnected, this combination of cognitive and psychological barriers exhibit the various dimensions of socio-cultural influences on individual knowledge-holders, as well as on their capacity and willingness to transfer and absorb knowledge. The barriers will be discussed in more detail in the following chapter.

4.3 Cognitive and psychological barriers to managerial knowledge transfers across socio-cultural distance

4.3.1 The effects of differences in cognition and linguistics on managerial knowledge transfers

Distances in cognitive institutional environments affecting the individuals involved in knowledge transfer are potentially detrimental to the effectiveness of knowledge flows (Buckley 2006, 37; Bhagat et al. 2002, 215). Different populations hold different shared cognitive categories, through which individuals learn to understand and interpret the nature and purpose of any given practice or situation (Jensen & Szulanski 2004, 510; Kostova 1999, 314). Such cognitive categories are established socially from an individual's frame of reference: their background, culture, experiences and expectations, and represent the individual's subjective perception and interpretation of the environment within which they reside (Vihakara 2006, 47).

An individual's *perception* refers to the way in which they select and organise external stimuli in order to create meaning; perceptual patterns are selective and inaccurate, and deeply ingrained into one's socio-cultural upbringing. Socio-cultural backgrounds filter stimuli, thus leading individuals to distort, block, or favour available information to make it compatible with ingrained values and cultural norms. Once learned, perceptual patterns tend to be extremely difficult to change. (Adler 1991, 68; Vihakara 2006, 46–47.) Through *interpretation* individuals attempt to create meanings and meaningful relationships of perceived realities, thus organising experience to guide future behaviours. The bases of such interpretations are formed of categories, into which individuals learn to place their various perceptions, thus making it easier to retrieve meaningful guides as to how they should react and behave in any given situation. (Adler 1991, 70; Kogut & Zander 1996, 509.) Common schemas, frames, stereotypes, inferential sets, and representations are examples of such cognitive programmes through which the environment is viewed; these allow individuals to quickly and easily classify stimuli in order to behave in ways accepted amongst holders of similar cognitive schemas, that is individuals sharing the same socio-cultural influences. After all, although carried by individuals, these programmes are in fact elements of the social environment. (Kostova 1999, 314; Vihakara 2006, 47.)

The social environment further dictates a generally accepted approach to problem-solving – Bhagat et al. (2002, 215) suggested a tendency for either holistic or analytic thinking, depending on the socio-cultural environment in which one is raised. Accordingly, individuals might seek to either consider the entire spectrum of

information for analysis, quickly associating and assimilating information with a larger knowledge, or alternatively scrutinize each piece of information individually. Differences in the way of understanding and problem-solving can be highly detrimental to effective knowledge flows, as they influence the approach taken to convey new knowledge, and may thus render it difficult to understand by the recipient party. (Bhagat et al. 2002, 215.)

Through communication and the creation of metaphoric extensions of existent experiences, interpersonal discourse essentially involves the sharing of cognitive models based upon similar categories – yet whereas interpretations might evolve through discourse, fundamental beliefs and perceptual patterns rarely do (Kogut & Zander 1996, 509–510). Socio-cultural distances frequently create cognitive barriers, which impede learning processes, as individuals find it difficult to learn practices or concepts that are inconsistent with prevalent social schemas (Kostova 1999, 315). Any external knowledge can be understood and known only through the individual's own cognitive structures, and new knowledge is acquired through *enactment*: previous information is turned into a map of causes and effects – the cognitive schemata –, according to which new actions are made and interpreted (Vicari & Troilo 1998, 208–09). As cognitive distances increase, however, mutual understanding is further complicated by a lesser congruence in cognitive schemas and categories, resulting in increasing pressure for adapting the message (Jensen & Szulanski 2004, 511).

Finding common cognitive ground in order to enable the effective transfer of knowledge is significantly complicated by the absence of a common language – both figuratively and literally (Davenport & Prusak 1998, 98). The actual process of converting and transferring knowledge is a process of articulation, thus making a piece of knowledge understandable and accessible (Buckley, Carter, Clegg & Tan 2005, 55). Linguistic distances predispose knowledge-sharers to miscommunication and misunderstandings if applicable knowledge transfer mechanisms rely upon verbal communication between two or more individuals (Grant 1996, 116). Knowledge transfer is ultimately the process of translating knowledge into a common language or code for dissemination – if such a language is not fully understood by either party, transfer effectiveness decreases (Ambos & Ambos 2008, 5; Holden 2002, 245). Linguistic barriers to knowledge transfer can therefore arise from the difficulties of literal understanding of the language in use to communicate between transferor and transferee, or from ineptitude to express oneself fully in it.

Communicational aptitude arises from a fluency in interrelated systems of various dimensions of communication. These include linguistic components (sounds, signs, and grammar), paralinguistic components (tone, pitch, and affective aspects), extralinguistic components (gestures or movements), and sociolinguistic components (specific styles appropriate for specific circumstances). Language thus involves more than a mere

linguistic or grammatical proficiency, making it very difficult to transfer knowledge in a foreign language (Selmer 2006, 352.) Semantics refers to the study of word meanings and the interpretations of symbols as used by specific communities within particular contexts (Vihakara 2006, 48). Language often connotes subtle meanings explained and understood through the population's specific shared cognitive categories. Language provides structures for conceptualising and reasoning – accordingly, an understanding of a language as such does often not suffice to ensure effective transfer of meanings and messages. (Ambos & Ambos 2008, 5.) Specific meanings can be masked behind particular phrases or behaviours, and special words and grammatical forms may convey the social distance between individuals – cognitive categories endow individuals to understand such subtleties, and the lack thereof may lead to a complete misreading of the other party's intentions and expressions (Holden 2002, 264–265; Vihakara 2006, 49). The transfer of knowledge over cognitive and linguistic distances is thus subject to considerable degrees of 'noise', i.e. disturbances or interferences constraining the convertibility of the intended message. In intra-firm knowledge transfers, 'noise' is composed of elements of *ambiguity, interference*, and *lack of equivalence*. (Holden 2002, 264–265.)

In the translation of knowledge, 'ambiguity' refers to words or expressions that can be understood in two or more ways. The meaning of a message lies not within the words themselves, but within the people using the words; accordingly, the same words are not necessarily understood in the same way in different settings, and confusion generates uncertainty and unpredictability if existent cognitive perceptions do not suffice to interpret the messages correctly. (Holden 2002, 265–266; Vihakara 2006, 48.) 'Interference', on the other hand, is represented by intrusive errors arising from one's own linguistic and cultural background. Such errors may emerge if the same word happens to have different meanings in different languages, inducing confusion, or if specific behaviours indicating particular messages in one context are not interpreted similarly in foreign environments. (Holden 2002, 266-267.) Words may for instance contain emotional connotations, provoking positive or negative associations in some people, thus carrying hidden meanings (Vihakara 2006, 48). Finally, 'lack of equivalence' refers to the absence of direct matches within the target language. The more distinct the distance between two contexts, with respect to geographic, psychic, social and institutional aspects, the more pronounced is their linguistic distance. This refers not only to the languages themselves, but the experience and impressions they are designed to convey; equivalence is thus not limited to translating the words of one language into that of another, but also to re-express psychological and related factors within the terms of reference of the target language. Cross-contextual equivalence stems from harmonising the linguistic, cognitive and pragmatic elements of knowledge. In the absence of such equivalents, the transfer of knowledge requires considerable

resourcefulness from both parties, and involves high risks of miscommunication. (Holden 2002, 268–270.)

Linguistic barriers can be extended to include professional languages as well, as each area of expertise can be expected to have its own specific culture and language. Particularly pronounced in areas demanding specific technical or practical know-how, the importance of sharing a professional language arises from the understanding and trust that ensues. Common ground in their areas of expertise ensures a degree of shared frames of reference and concepts, as well as a basic understanding of professional vocabulary. (Davenport & Prusak 1998, 98–99; Grant 1996, 116.)

It thus appears self-evident that cognitive and linguistic barriers have the potential of being highly significant in the transfer of managerial knowledge. As discussed in chapter 3.4.2, mechanisms for the transfer of both systemic and strategic knowledge rely on the effective communication between the individuals involved. Cognitive and linguistic barriers such as the ones above can impede the transfer of managerial knowledge throughout the entire process; not only can they effectively hinder the transmission of knowledge for example through the interaction required for systemic knowledge transfers, but they furthermore have severe influence on the effectiveness in which knowledge can be converted, associated, and implemented. Managerial knowledge is notoriously tacit in nature, and as such highly tacit knowledge cannot be converted completely into explicit form, the only manner through which it can be communicated is through the establishment of a common understanding (Grant 1996, 116). This understanding relies on common cognitive schemata, as well as linguistic capabilities to fully understand nuances within the use of metaphors, analogies or stories used to reconcile different individual understandings and transfer messages (Grant 1996, 116). The translation mechanisms of systemic knowledge and the integration mechanisms of strategic knowledge rely entirely on the ability of individuals to convert knowledge (see Figure 10 on knowledge conversion) effectively, and in the presence of cognitive or linguistic barriers such communication efforts might not succeed as individuals simply fail to understand each other. Failure to thoroughly understand the other party involved in knowledge transfer – whether it be due to cognitive barriers, linguistic barriers, or both – makes it impossible to correctly apply relevant knowledge to new contextual settings, thus rendering the entire transfer process incomplete.

The below table summarizes the various cognitive and linguistic barriers identified in this chapter, and illustrates how they affect the knowledge transfer process.

Table 4   The effects of cognitive and linguistic barriers on managerial knowledge transfer over socio-cultural distance

Cognitive & linguistic barriers		
Barrier	How does it affect knowledge transfers	During which stage does it affect knowledge transfers
1. Differences in perceptions and interpretations of environments induce different reactions to the same stimuli	Conveyed stimuli/messages/behaviours are not interpreted by the receiver to have the intended meaning → lack of *capacity* to transfer/learn (**disseminative & absorptive capacities**)	Complicates the recognition of valuable knowledge (*initiation*) and the translation and adaptation process of knowledge (*transformation*)
2. Inability to absorb knowledge that is inconsistent with prevalent social schemas	The encoded message sent out by the source is not understood by the receiver → lack of *capacity* to transfer/learn (**disseminative & absorptive capacities**)	Complicates the knowledge conversion process (*transformation & association*)
3. Lack of common language or inability to express oneself fully in it	Knowledge cannot be conveyed and articulated fully / recipient cannot understand subtleties of used language → lack of *capacity* to transfer/learn (**disseminative & absorptive capacities**)	Complicates articulation and conversion of knowledge (*transformation*)
4. Semantic barriers, as word meanings and interpretations vary depending on culture-specific underlying cognitive categories	Unarticulated subtle meanings and messages are not understood, leading to a misreading of the other's intentions and expressions → lack of *capacity* to transfer/learn (**disseminative & absorptive capacities**)	Complicates the knowledge conversion process (*transformation & association*)

4.3.2 *Normative distance and its effects on knowledge transfers*

Barriers to the efficient intra-firm transfer of managerial knowledge may furthermore arise from the distances between source and receiver's normative institutions (Jensen & Szulanski 2004, 510). Normative institutions are programmed or learned constructs of values and norms as held by individuals in a given environment, and provide an evaluative and prescriptive dimension into social life (Kostova 1999, 314; Wilkesmann et al. 2009, 466). Significant differences in normative institutions may lead to constraints in terms of appropriateness of specific ways of doing things, and underlying values may impede the acceptance of the message (Jensen & Szulanski 2004, 510).

Normative institutions bestow societies and individuals with purposes underlying all actions. Representative of the normative environments, values are conceptualizations of what is deemed desirable in a social context, whereas norms specify how individuals ought to act (Kostova 1999, 314). Such values and assumptions govern the attitudes of

individuals towards new knowledge and change, and determine how organizations function and how their employees interact. Normative institutions can therefore exercise considerable influence over the degree to which individuals are willing to share their knowledge, what knowledge they are willing to accept in turn, and how actively they participate in any given knowledge transfer activity. (Lucas & Ogilvie 2006, 11; Lucas 2006, 262.) Indeed, normative factors have considerable influence not only on a party's disseminative and absorptive capacity, but also on their capacity to transfer knowledge with another party, depending on the compatibility of normative frameworks.

The concept of normative institutions is widely paralleled to the concept of culture in general, although in some conceptualisations 'culture' further includes certain cognitive aspects. Indeed, academic discussions on cultural differences frequently limit themselves entirely to normative factors, resulting in confusion about conceptualisations of cultural differences. It is nevertheless possible to regard the influence of normative institutions on knowledge transfers from a variety of widely applied cultural dimensions introduced by Hofstede (1994) and Trompenaars and Hampden-Turner (1997), among others. (Wilkesmann et al. 2009, 466.) Particularly relevant for knowledge transfer are the dimensions of power distance, individualism/collectivism, and uncertainty avoidance (Wilkesmann et al. 2009, 466).

Power distance represents the degree to which members of a society agree that power should be concentrated at higher levels; a small power distance supports a participative approach to decision-making, whereas large power distance would manifest itself in a dependence on hierarchy, strict instructions and accordingly, little aptitude for initiative (Lucas 2006, 265; Wilkesmann et al. 2009, 467). Differences in power distance between parties of a knowledge transfer process can therefore be highly influential. For instance, if both parties originate in countries of low power distance, they are likely to be willing and capable of relatively uninhibited consultation. In this situation, both parties tend to be devoted on reducing the resistance to change and find compromises to allow for smooth transfers of knowledge. (Lucas 2006, 265.) Alternatively, both parties may come from high power distance societies, in which decisions are made autocratically and accepted as presented (Lucas 2006, 265). Typically, knowledge transfer is likely to occur only in top down direction, as employees may be hesitant to speak out in from of their superiors (Wilkesmann et al. 2009, 468). In the case of two more or less equal managers, however, the transfer is tantamount to a battle of two heavyweights, until they come to recognise their strategic interdependence, and are ready to compromise in order to improve both parties' respective profiles (Lucas 2006, 265–266).

Finally, in the case of asymmetric power distances, i.e. when one party favours compromise while the other is authoritative, significant degrees of resistance are likely to occur. Such misalignment might lead to situations in which the high power distance party considers the knowledge it is providing as essential for the other, and thus

assumes a superior role, in which they attempt to impose their own terms onto the other with little considerations for the acquiring party's interests, or the values and context in which the knowledge is to be used. Such behaviour might then lead to the erection of barriers by the low power distance party in defence of their own values, thereby decreasing the likelihood of effective transfers. (Lucas 2006, 266.) If, on the other hand, the high power distance party is the principal acquirer of knowledge, asymmetric power distances might alternatively result in situations where the high power distance party feels vulnerable due to its dependence on the other's knowledge, if such knowledge is recognised as necessary or important for performance improvements. Such dependency might induce the high power distance party to set up barriers and attempt to enforce some control over the transfer process, thus effectively hampering the other party's efforts to facilitate the process. (Lucas 2006, 266.) Hence, differences in power distances involve finding ways to balance autocracy with compromise, and can be severe impediments for effective knowledge transfer, if the parties get entrapped in their attempts to impose their own views of the world onto others (Lucas 2006, 267).

The dimensions of individualism/collectivism, conversely, reflect the interest of individuals in their own well-being as opposed to the well-being of others (Wilkesmann et al. 2009, 467). Individualism and collectivism can significantly influence ways of thinking, determining the manner in which one processes, interprets and uses knowledge. Indeed, they have considerable influence on how individuals sample available knowledge, what information they consider most relevant, and how they associate it with other domains of knowledge. (Bhagat et al. 2002, 208.) Accordingly, while people in individualist environments consider each piece of information as independent of its context, collectivist individuals tend to seek for contextual cues. Similarly, the transfer of tacit forms of knowledge, such as systemic or strategic knowledge, is assumed to be easier for collectivists, who are used to high-context communication, and in fact are far more sensitive to, and aware of, context-specific information. (Bhagat et al. 2002, 208; Möller & Svahn 2004, 222.)

The relative positioning of involved parties along the individualism/collectivism dimension has considerable consequences for knowledge transfer effectiveness, as it determines motivation for and tendencies of knowledge transfers, as well as the processing of information in general (Lucas 2006, 262; Möller & Svahn 2004, 222). Effectiveness of knowledge transfers between individualistic parties tends to be based on perceptions of immediate benefits to self, rather than overall benefits for the organisation; if either party regards benefits as absent, they are likely to create barriers to the transfer process (Bhagat et al. 2002, 208; Lucas 2006, 262). Collectivist societies, on the other hand, value the interest of the collective over that of the individual, and are likely to engage actively in knowledge transfer activities if such are deemed beneficial for the company as a whole (Bhagat et al. 2002, 208; Lucas 2006, 263); individuals are

motivated by the norms, duties and obligations imposed by the collectives to which they belong (Möller & Svahn 2004, 222). Collectivism may, however, hamper knowledge flows if it views the other transfer party as external to its group; whilst knowledge flows freely inside the group, members often have a segregate attitude towards non-members (Möller & Svahn 2004, 222; Wilkesmann et al. 2009, 470). In instances of misalignment, however, adversities occur most frequently, as knowledge fails to flow freely between parties that differ in their conception of knowledge and whom it belongs to. Such resistance often calls for intervention by the headquarters'. (Lucas 2006, 263–264.)

The last cultural dimension relevant for knowledge transfer is uncertainty avoidance, referring to the extent to which members of a society attempt to avoid uncertainty, ambiguity, and change, by limiting themselves to established social norms, formalised structures and bureaucratic practices (Wilkesmann et al. 2009, 467). Tolerance for uncertainty or ambiguity is essential in both knowledge source and receivers for the transfer of knowledge that is tacit and complex (Bhagat et a. 2002, 215). This suggests that societies of strong uncertainty avoidance are likely to create barriers in order to avoid knowledge dissemination and, accordingly, change. Weak uncertainty avoidance societies, on the other hand, welcome change and alternative ways of doing things, are flexible, and widely rely on social control instead of formal rules. In instances of knowledge transfer between a party of strong uncertainty avoidance and another of weak uncertainty avoidance, knowledge is likely to flow relatively freely from the first to the latter, as societies of weak uncertainty avoidance tend to actively pursue knowledge transfer opportunities. Knowledge flows in the reverse direction will, however, be likely to face considerable resistance. (Lucas 2006, 268.)

Normative barriers can arise from elements of both national and organisational cultures. Members of a particular culture tend to internalise its cultural components, and act within the limits set out by this social environment. Hence, the influence of national values and norms is generally exerted when determining whether a specific practice or other message is acceptable in terms of its new contextual environment; if deemed inacceptable or inappropriate, knowledge transfer is generally not successful, as individuals involved either refuse or find themselves unable to acquire and implement the transferred message. (Wilkesmann et al. 2009, 466; Jensen & Szulanski 2004, 510.) Such barriers would arise for example in the transfer of human resource programmes designed to increase the share of women in upper management in societies where women are not afforded equal rights as men (Jensen & Szulanski 2004, 510). Organisational values and norms can also have marked effects on knowledge transfer effectiveness, as they determine the degree to which employees are encouraged to share information and participate in the transfer of practices – an organisational culture considering knowledge as an organisational asset to be shared with colleagues ensues

greater exchange of knowledge (Lucas & Ogilvie 2006, 11; Probst et al. 2000, 193). Such a culture will but encourage knowledge transfer, frequently also develop specific routines that support the process (Lucas & Ogilvie 2006, 11).

Normative barriers can thus hinder managerial knowledge transfers throughout the transfer process; incapability to understand or accept knowledge based on different values affects both the initiation and the implementation of knowledge, and can furthermore prevent successful knowledge conversion. The existence of incompatible levels of power distance, differences in terms of individualist or collectivist values, and the attitude towards change and uncertainty can furthermore act as barriers to successful transfers throughout the entire process, particularly in cases of face-to-face interaction, as is typical for systemic and strategic knowledge transfers. Normative barriers created by socio-cultural distance between knowledge source and recipient are illustrated in Table 5, below.

Table 5   The effects of normative barriers on managerial knowledge transfer over socio-cultural distance

Normative barriers		
Barrier	How does it affect knowledge transfers	During which stage does it affect knowledge transfers
5. Differences in power distance levels	Incompatibilities in power distance levels cause the transferors to erect barriers in defense of their own values or of their position of power → lack of *willingness* to transfer/learn (**disseminative & absorptive capacities**)	Complicates the entire transfer process from *initiation* to *implementation*
6. Differences in individualism/collectivism levels	Misalignment leads to the erection of barriers due to disagreement as to whom knowledge belongs to, and who it should be shared with → lack of *willingness* to transfer/learn (**disseminative & absorptive capacities**)	Complicates the entire transfer process from *initiation* to *implementation*
7. Differences in uncertainty avoidance levels	Strong uncertainty avoidance creates resistance to change or to absorb new knowledge → lack of *intent* to learn (**absorptive capacity**)	Complicates the entire transfer process from *initiation* to *implementation*
8. Misalignment of message or transfer mechanism with recipient values	Misalignment leads to refusal or inability to absorb knowledge → lack of *capacity* and/or *intent* to transfer (**absorptive capacity**)	Complicates the acceptance of knowledge (*association & implementation*)

4.3.3   Attitudinal barriers to managerial knowledge transfers

In addition to and partly influenced by the above-mentioned cognitive and normative factors, knowledge transfer effectiveness is heavily affected by attitudinal factors of both parties involved. Motivation to transfer or the lack thereof can be decisive in determining whether a transfer process is successful or not – and difficulties tend to increase with the distance of parties and subsequent asymmetry of contexts. Increased distances have a negative impact on transfer legitimacy, as the message is less likely to be congruent with its new context – distance therefore makes it more difficult to understand the message, and decreases motivation to do so. (Jensen & Szulanski 2004, 510–511.) Motivation, however, is crucial to successful knowledge transfer, as – in order for knowledge transfer to occur – participants must be willing to reveal their knowledge, and accept that of others. (Buckley 2006, 38.)

A motivational disposition to knowledge transfer can originate from a variety of factors, affecting both parties involved in terms of absorptive and disseminative capacities. Knowledge is often perceived as a source of relative power within an organization, and might therefore not be lightly parted with (Gupta & Govindarajan 2000, 475; Probst et al. 2000, 193). Reluctance to share one's knowledge might therefore arise out of fear of losing ownership – called the 'Invented Here' or IH syndrome – or of losing a consequent position of superiority. These are frequently paired with a fear of becoming dispensable, or of not being sufficiently recognized for successes and achievements. (Szulanski 1996, 27–28.) Apart from the protection of one's competitive advantages, individuals might choose to hoard knowledge in order to avoid costs involved either in the articulation or the transfer of knowledge (Michailova & Husted 2003, 61). Accordingly, motivation to participate in knowledge transfers might be negatively affected in situations in which the participation involves making an enhanced effort to support the other party, interfering with the source's ability to attend to their own missions. (Szulanski 1996, 27–28.)

Motivation to accept and absorb knowledge suffers from a variety of stickiness factors frequently pooled into the concept of the "Not-Invented-Here" (NIH) syndrome, based on the assumption that knowledge is a prerogative of particular groups, and considered a major barrier to knowledge inflows (Gupta & Govindarajan 2000, 476; Holden 2002, 251). Lack of motivation may manifest itself as the deliberate erection of barriers through passivity, hidden sabotage, feigned acceptance or outright rejection of the new knowledge, and can occur at any stage of the transfer process (Szulanski 1996, 29). The NIH syndrome is generally resultant of either the managers' ego-defense mechanisms, inciting them to block any information suggesting others might be more competent; or power struggles within an organization, as a result of which managers might seek to downgrade the potential significance of peer units' knowledge stock

(Gupta & Govindarajan 2000, 476; Riege 2005, 24). Individuals frequently consider it more prestigious to create new knowledge instead of using external sources of knowledge; alternatively, they might not trust the source, thus rejecting their knowledge (Michailova & Husted 2003, 70). The NIH syndrome appears to particularly affect individuals or units whose self-assessment is exceptionally favourable, such as pioneers or other leaders, and who are predisposed to think that their knowledge or practices are superior to that of others (Szulanski 1996, 65).

Attitudinal dispositions to transfer knowledge may thus have potentially highly detrimental effects on the source's disseminative capacity and the recipient's absorptive capacity; such barriers are therefore likely to be most influential during the initiation and implementation phases. Systemic and strategic knowledge, in addition to their highly complex and tacit nature, may furthermore be easily perceived as a source of competitive advantage for the potential source, thus increasing the significance of the IH syndrome. Managerial knowledge transfers may be further impeded by the increased predisposition of managers to refuse external information, particularly knowledge of such strategic magnitude. The effects of attitudinal barriers on managerial knowledge transfers are summarized in Table 6 below:

Table 6   The effects of attitudinal barriers on managerial knowledge transfer over socio-cultural distance

Attitudinal barriers		
Barrier	How does it affect knowledge transfers	During which stage does it affect knowledge transfers
9. Invented Here syndrome	Reluctance to share knowledge out of fear of losing ownership and power → lack of *willingness* to transfer (**disseminative capacity**)	Complicates the availability of knowledge (*initiation)* and reduces the participation of source in subsequent stages
10. Not Invented Here syndrome	Refusal to absorb external knowledge that challenges the competence of current knowledge holders → lack of *intent* to learn (**absorptive capacity**)	Complicates the entire transfer process from *initiation* to *implementation*

In conclusion, it appears evident that managerial knowledge transfers over socio-cultural distance are facing a variety of barriers affecting all stages of the transfer process (Argote & Ingram 2000, 161). Whilst a motivational disposition, for instance, may act as hindrance to the initiation of the transfer, cognitive or normative incompatibilities may affect the ability of the recipient party to absorb knowledge, thus impeding the latter stages of the process. Other factors, such as linguistic incompatibilities, could predict the difficulty of transfer throughout all phases. In all instances, however, the degree to which source and recipient units differ from each

other, i.e. the distance between them, has direct significance on the degree of difficulties the transfer process faces. In order to gain a thorough understanding of the impediments of knowledge transfer over socio-cultural distance, as well as apply the theoretical assumptions to more practical settings, the following chapter will discuss in detail the specific barriers faced by transferors of managerial knowledge attempting to bridge the socio-cultural distance between China and the Western countries.

5 BARRIERS TO TACIT MANAGERIAL KNOWLEDGE TRANSFERS ARISING FROM THE SOCIO-CULTURAL DISTANCE BETWEEN CHINESE AND WESTERN MANAGERS

Increasing socio-cultural distances between knowledge source and recipient have been shown to create considerable barriers to the effectiveness of the transfer process. China has frequently been regarded as the "most foreign" of all places for Western businesses, and numerable business operations and knowledge transfer attempts have failed as a result of distance-related barriers (Chan & Choo 2006, 13). Owing to the exponential growth of Sino-Western business operations, there is a considerable need to better understand factors that might act as barriers to effective knowledge transfers between China and the West. The following chapter will discuss in depth various cognitive and psychological barriers to intra-firm transfers of managerial knowledge. This process will be based on an exhaustive analysis of previous studies[5], and a synthesis of their findings on influences of socio-cultural distances on Sino-Western communication, interaction, and knowledge transfer. The need for such an extensive analysis arises from the confusion of considerable variations of concepts used and assumptions made in the study of Sino-Western interactions. While the academic literature on cultural differences between China and the West has been relatively prolific, there have been very few researchers making the link to study the effects of socio-cultural distances on knowledge transfers, thus calling for a thorough collation of relevant issues. Whilst an attempt is made to retain a comparative approach throughout the chapter, it ought to be noted that this thesis has been written from a Western perspective, and thus focuses more on the relevant Chinese socio-cultural aspects.

5.1 Determining the socio-cultural distance between China and Western societies

Kedia and Bhagat (1988, 560) found that the significance of societal cultural factors for the effectiveness of knowledge transfers across national borders is particularly striking if transfers occur between an advanced industrialized nation and a developing country. Accordingly, the more different the socio-cultural background of two managers, the more significant is this difference to the effectiveness of their dyadic knowledge flows. This is a natural consequence of the fact that human behaviour is largely determined by

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[5] A list of the main studies used as the basis of Sino-Western discussion in chapters 5 and 6 in this study has been compiled in Appendix 1, and is considered representative of the present consensus of studies focusing on Sino-Western socio-cultural distances, and their implications for knowledge transfers.

one's socio-cultural set-up, and a substantial gap between cultures is therefore very likely to heighten problems related to fluency of interaction, communication, and understanding. The cultural gap between China and the West has always been marked, and spans nearly every aspect of societal behaviour. China's long isolation from the international political economy during the Communist era merely emphasized these differences, rendering Sino-Western interactions heavily strained by cultural differences in terms of perception, communication, and evaluation of knowledge. (Hutchings & Michailova 2004, 86.)

In addition to being the consequence of sheer physical distances, the large socio-cultural distance between China and the West stems from fundamental differences in their history, as well as their respective social, institutional, cultural and economic development (Li & Scullion 2006, 77–78). The modern Chinese socio-cultural system is constructed on the complicated interplay of centuries-old philosophies and rather modern ideologies, and is manifested in a somewhat contradictory combination of values and cognitions. While evidence of the nation's cultural heritage (particularly of the Confucian philosophy) remains visible in all modern values and behaviours, the influence of the unstable political development on thought and actions has begun to decrease. (Li & Scullion 2006, 78.) Even though the international integration has lessened the contextual distances between China and the West slightly, however, the cultures are based upon very different values and cognitions, as will be discussed in this chapter.

More specifically, the understanding of and need for management knowledge is very different: Fan (1998, 211) suggested the existence of an *international management knowhow life cycle*, and supposed that radical distances between the international economic development stages China and the West presently find themselves in result in difficulties for managerial knowledge transfers. After all, whereas the Western economies find themselves in the post-industrial stage boasting a complete market mechanism and a buyer's market, China is still in the early stages of industrialization, with underdeveloped market systems. The knowledge suitable for one context may therefore be either very difficult to comprehend, or entirely unsuitable for another. (Fan 1998, 211.)

In addition to the general radical differences between the socio-cultural set-up of China and the West, interactions are further complicated by considerable variations *within* both regions. Accordingly, there are significant internal differences between regions in China, as well as partly substantial differences between various Western nations. While the general values and cognitions may be shared, these differences arise from different laws and regulations, as well as different languages and cultural subtleties. (Wang-Cowham 2008, 226, 232.) Due to the limited scope of this thesis, it is not possible to discuss in depth the differences within these regions separately.

Distinction will therefore be made chiefly between what is commonly understood as the Chinese culture, and the common and most relevant aspects of the Western cultures. These generalizations can be made because, despite various differences in details, the general values and cognitions upon which the cultures are based are mostly the same throughout the regions.

While socio-cultural distances between China and the West are considered to be lessening as a consequence of increased interaction and mutual exposure (Wang-Cowham 2008, 231), they nonetheless remain the most significant impediment to Sino-Western knowledge transfers and business operations in general (Fan 1998, 213). The Chinese operate in an environment that differs from the Western one in nearly every conceivable aspect – managerial knowledge must therefore be carefully *transformed* to be absorbable to the recipient, and *associated* to apply it to its new cultural context (see chapter 3.3 for details on knowledge conversion). These processes are, however, exceptionally difficult precisely because of the considerable socio-cultural distance between China and the West, as distance-induced cognitive and psychological barriers obstruct the free transfer and adaptation of knowledge. (Fan 1998, 213.) The following chapters will discuss these barriers to Sino-Western managerial knowledge transfers in further detail.

5.2 Cognitive and communicational barriers to managerial knowledge transfers between China and the West

5.2.1 Cognitive distances between China and Western countries

As was discussed in chapter 4.3.1, socio-cultural backgrounds heavily influence the cognitive categories and frameworks of individuals, thus determining the manner in which they perceive and interpret their environment, and act upon stimuli received. Such differences can be very detrimental to all cross-cultural interaction and communication, as people tend to find it difficult to step outside their own worldview and consider alternative perspectives. Such an inherent inability makes it difficult to acquire knowledge that is incompatible with one's previous cognitive frameworks, and has therefore been considered a major barrier to the effectiveness of tacit knowledge transfers over socio-cultural distance. This barrier is considered particularly pronounced in the interaction between Westerners and Oriental peoples, due to the existence of several large-scale differences in their cognitive processes. (Bhagat et al. 2002, 215; Li & Scullion 200, 79; Redding 1980 130.)

Much of the cognitive and psychological characteristics of the Chinese is derived from their Confucian principles. Originating in this philosophy is the Chinese cognitive approach promoting a concrete and synthetic view of the world, referred to by researchers as 'holistic thinking'. (Chan & Choo 2006, 14; Li & Scullion 2006, 79.) This is in stark contrast to the more communicative and argumentative 'analytical thinking' predominating Western styles of cognition (Chan & Choo 2006, 14; Qing 2008, 118). Substantial differences between holistic and analytical styles of thinking significantly affect the manner through which individuals approach situations involving problem-solving, explanations, or interpretations, and are therefore likely to exacerbate difficulties in the effectiveness of knowledge transfers (Bhagat et al. 2002, 215; Redding 1980, 131).

The analytical Westerners approach problems through the use of abstract concepts or constructs such as 'productivity' or 'morale', before linking them logically into sets of sequential connections through inductive reasoning. The Chinese, on the other hand, apply a holistic mindset, intuitively seeking and immediately apprehending complete meanings for a causal relationship from the whole context surrounding it – they do not seek for universals, but instead evaluate the specific context and situation in order to find a practical and particular solution. (Li & Scullion 2006, 79; Redding 1980, 132; Qing 2008, 118.) Accordingly, whereas Westerners have a tendency to locate causality of behaviour within an individual, the Chinese locate it in the entire context of behaviour (Bhagat et al. 2002, 215). Whilst Chinese and Western styles of thinking are based on radically differing cognitive approaches, however, they have of late merged slightly as a response to mutual exposure. For instance, 'total system' or 'contingency' concepts in Western management literature – both based on cognitive frameworks similar to those of the Chinese – have lessened the once substantial distance between Chinese and Western cognition. (Redding 1980, 132.)

The implications of the cognitive distances between China and the West in terms of holistic or analytical thinking on managerial knowledge transfers are manifold. Firstly, they heavily influence absorptive capacities, as individuals might have difficulties decoding and assimilating knowledge that was encoded to fit an entirely different style of thinking, resulting in inaccuracies of interpretation (Chen et al. 2010, 234). This is evident in the applicability of specific mechanisms applied for the knowledge transfer episode. Westerners, for instance, are likely to use abstract frameworks to conceptualize ideas, and expect knowledge transfer to result from creative interaction – a view not shared by most Chinese managers, who might face difficulties in extracting the intended information from presented frameworks. (Wang-Cowham 2008, 227.) While Westerners will perceive each incoming or outgoing piece of information as relatively independent of its context, Chinese people tend to look for contextual cues for every piece of information. (Bhagat et al. 2002, 210; Qing 2008, 115; 118.) Indeed, Chinese

managers often opt for a flexible approach to plans or principles, and expect them to be moulded over time to suit context-specific condition, whereas Westerners consider them fixed (Li & Scullion 2006, 79). The respective understanding of knowledge will therefore affect transfer effectiveness, as a mutual understanding is paramount to the ability to share each other's thinking processes. Secondly, they affect the ability to understand and transfer particular kinds of knowledge – specifically tacit forms. As the Chinese are used to include contextual factors into their cognitive frameworks and maps, they are likely to find it easier to understand and integrate systemic and strategic forms of managerial knowledge. (Bhagat et al. 2002, 210; Qing 2008, 115; 118.) This is due to the fact that an individual's ability to assimilate and exploit knowledge builds largely on prior related knowledge, and the Chinese are thus more sensitive to context-specific knowledge (Qing 2008, 115). Westerners, on the other hand, might find it more difficult to transfer or particularly acquire and convert non-tangible and implicit forms of knowledge. This naturally affects the degree to which interactions between the two transferors are effective and mutually understandable. (Qing 2008, 118.)

5.2.2 Linguistic and communicational barriers to managerial knowledge transfer between China and the West

The significance of communicational distances is particularly pronounced in the transfer of managerial knowledge, and is considered a major barrier to effective knowledge transfers between Chinese and Western managers (Buckley et al. 2005, 55). As all transfer mechanisms of managerial knowledge rely exclusively on effective verbal communication, the formidable language barrier between China and Western countries emerges as a substantial barrier to transfer effectiveness (Selmer 2006, 347; Wang-Cowham 2008, 227). Chinese language proficiency among Western managers is extremely limited, and even if some Chinese is spoken, most Westerners are illiterate in Chinese. The diversity and complexity of Chinese languages further dissuades Westerners from learning them, and the principal language of communication between the Chinese and the Westerners is English. (Vihakara 2006, 90.) Even though many Chinese managers today have been trained in Western countries and have a fairly good command of the English language, barriers related to linguistic differences remain pivotal (Buckley et al. 2005, 56; Selmer 2006, 347; Vihakara 2006, 90), and cognitive differences can lead to deceptive interaction even between relatively fluent speakers (Selmer 2006, 347). After all, irrespective of the language in which a conversation is conducted, people continue to think in their own language and in accordance with their cognitive schemas and cultural norms, thus potentially leading to misunderstandings (Selmer 2006, 347). This socio-cultural distance is the reason as to why difficulties are

more likely to occur in the interaction, conducted in English, between a Chinese and a Western manager, than in a similar conversation in English between two non-native English-speaking Westerners.

Communicational distances between China and the West span over linguistic, paralinguistic, extralinguistic and sociolinguistic components[6], and have been largely acknowledged to be among the most significant impediments for the effectiveness of Sino-Western interaction (Selmer 2006, 353–354). The language barrier between China and all Western countries is high, partly due to the lack of a common alphabet and widely differing cultures, making it difficult to acquire high language ability (Selmer 2006, 354). All Chinese dialects are based on the same system of ideographs, which in turn are based on approximately 400 individual characters in common use, each corresponding to a definite spoken syllable. On the other hand, writing systems of Western languages, English included, are based on the alphabet, composed of 26 letters. Furthermore, while the pronunciation of an English word is based on the orthographic structure of the word and can be linked to the written word by rules, there are few or no cues in the structural form of a Chinese word to its pronunciation. (Vihakara 2006, 88–89.) These extreme differences in the manner in which the languages are constructed make it very difficult to acquire proficiency in them, and an inability to competently and confidently converse in a common language is likely to increase uncertainty within the knowledge transfer relationship, manifested in caution or mistrust (Selmer 2006, 354). These linguistic differences have furthermore been shown to affect perception, mental representations, and memory – all important for the learning or knowledge acquisition process[7].

Limitations in actual linguistic proficiency set aside, there remain various barriers to the effective communication and use of language between Western and Chinese managers (Tsang 2001/1, 46; Qin et al. 2008, 269). Owing to the considerable linguistic distance between Chinese and English, managers have encountered numerous cases of ambiguity, interference or lack of equivalence (see chapter 4.3.1). There is, for instance, no Chinese word for the key term 'marketing', which is commonly translated into 'discipline of market' or 'discipline of selling' (Fan 2002, 214); the term itself can therefore imply various different meanings or connotations to the Chinese. Equally problematic can be the fact that the Chinese have only one word – *wen ti* – for both the English words *problem* and *question*, thus easily leading to confusion or misinterpretation even if communicating in English (Chan & Choo 2006, 14). In other

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[6] see chapter 4.3.1 for further reference
[7] Accordingly, Chinese native speakers tend to encode knowledge visually, whereas English-speakers or other Westerners rely primarily on phonological representations. The primarily used codes in turn affect memory, so that the Chinese are more likely to remember from visual memory, whereas Westerners recall information more easily through its phonological trace. (Schmitt, Pan & Tavassoli 1994, 421.)

cases Western terms are almost entirely untranslatable (Fan 2002, 214), inviting misunderstandings amongst Chinese managers and, subsequently, Sino-Western knowledge transfers.

As the Chinese is a high-context culture, Chinese managers are used to communicating in less detail, as the external environment and particular situational factors are pivotal to interpersonal interactions (Qing 2008, 118). Instead of details, the Chinese are used to communicating elaborately in non-verbal forms, providing frequent hints directing towards the true meaning of a message (Li & Scullion 2006, 80; Qing 2008, 118; Vihakara 2006, 90). The interpretation of such a restricted code generally requires an extensive understanding of the cognitive categories and schemas applied in the Chinese culture, therefore frequently leading to misunderstandings in Sino-Western knowledge transfers. The Chinese, for instance, tend to speak in exaggerated terms, or alternatively make use of ambiguous terms, expecting their Western colleagues to understand the underlying meaning. (Cardon 2009, 21; Vihakara 2006, 90–91.) Owing to its high-context nature, the Chinese manner of communication favours less direct use of language than in the West – Chinese managers tend to frequently use 'polite escapes', known as white lies in the West, in order to avoid direct responsibility or commitment, or in order to remain polite. Accordingly, the Chinese rarely say "no" even if this is what they intend to say, as an out-and-out refusal would be considered impolite. (Cardon & Scott 2003, 15; Chan & Choo 2006, 14; Vihakara 2006, 91.) Such an indirect manner of communicating frequently leads to frustration on the Westerners part, who might get irritated by the Chinese habit of talking around the topic, or of offering excuses so as to avoid negative communication. The direct style of communication generally favoured in Western countries, on the other hand, might be interpreted as aggressive or negative by the Chinese, and can therefore be counterproductive to effective knowledge transfer (Vihakara 2006, 242).

The Chinese indirect style of communication accords with the Confucian principles of good behaviour, which advise high levels of self-control in terms of temper. Despite the frequent usage of 'polite escapes', however, the Chinese value honesty and truthfulness very highly – their perceptions of these values merely differ from those in the West. (Vihakara 2006, 244.) Whereas Westerners value a concept of *absolute truth*, the importance of which exceeds that of avoiding hurt feelings, the Chinese place higher value on *virtuous behaviour*, which overcomes telling the truth (Vihakara 2006, 100–101). Avoiding confrontation is elementary in Chinese communication, as it is prerequisite for the recognition of an individual's social standing and position (Buckley, Clegg & Tan 2006, 276). While individualist Western people are said to be guilt-focused, thus internally evaluating one's behaviour against one's own standards, the Chinese culture is distinctly shame-focused. Shame is an interpersonal orientation, which derives from the violation of social norms and rules – it is a social sanction for

socially incorrect behaviour. (Vihakara 2006, 110.) *Mianzi* refers to notions of respect, honor, credibility and reputation, thus determining an individual's social status. Protecting a person's *mianzi* or 'face' and avoiding shame is central to the Chinese style of communicating, as individuals tend to adapt the language they use in order to address the relative 'face needs' of members in a social interaction. (Cardon 2009, 20; Cardon & Scott 2003, 9–10.)

While Westerners today are often aware of the concept of *mianzi*, they rarely comprehend its pervasive influence on the manner in which the Chinese perceive and communicate (Cardon & Scott 2003, 10; Vihakara 2006, 110). *Mianzi* influences all interactive communication in China and is expressed in a number of ways, largely depending on the mutual relationship of the communicators. Accordingly, the dominant face practice affecting behaviour directed from subordinates to superiors involves the protection of face by concealing mistakes, for instance, whereas superiors might opt to give face to subordinates through practices including the avoidance of open criticism. (Cardon 2009 27–28.) The significance of *mianzi* in Sino-Western knowledge transfers is influenced both by the relative status of the managers involved, and by the fact that many Chinese continue to consider foreigners 'outsiders', for which a different set of rules might apply. In horizontal relationships, such as knowledge transfers between two managers, the dominant face practice is giving face through praise, confirming opinion, gift giving or favours; if one party is foreign, however, managers might also vie for face by displaying success symbols, and expect the other party to do the same. (Cardon 2009 27–28; Vihakara 2006, 111.)

Indirect communication and the protection of face can be major barriers to Sino-Western knowledge transfers, as they can negatively affect absorptive capacities, as well as complicating the process of knowledge conversion (Li & Scullion 2006, 80). The capability of acquiring knowledge might be compromised in Sino-Western knowledge transfers due to misunderstandings in terms of whether something is understood and assimilated; admitting to not knowing or understanding is commonly considered a loss of face, and it is therefore common amongst many Chinese to have inhibitions towards asking questions. For similar reasons there appears to be little willingness to participate in discussions or sharing knowledge, thus impeding the knowledge conversion process. (Li & Scullion 2006, 80; Qin et al. 2008, 270.) Western managers unaware of the concept of face may furthermore threaten the entire transfer process if maladroit behaviour causes loss of face of their Chinese colleague; such behaviour might include directly addressing conflict, demonstrating anger, aggressive or arrogant behaviour, rejecting requests for a favour, or making direct and public criticism, for instance (Cardon 2009, 21–22; Cardon & Scott 2003, 14; Vihakara 2006, 111). Losing face causes feelings of embarrassment, shame or shyness, and is considered to have extremely serious consequences for the individual in China

(Vihakara 2006, 111). In order to avoid loss of face and nurture the mutual knowledge sharing relationship, it is thus important to attempt to 'give face' to the other party through praise or favours. (Cardon 2009, 21–22; Cardon & Scott 2003, 14.)

The effects of cognitive and linguistic differences between China and the West on managerial knowledge transfers, as well as the linkages between these effects and specific transfer stages, are summarized in Table 7 below.

Table 7   The influence of cognitive and linguistic barriers on Sino-Western managerial knowledge transfers

Cognitive & linguistic barriers			
Barrier	Barrier in Sino-Western context	How does it affect knowledge transfers	During what stage does it affect transfers
1. Differences in perceptions and interpretations of environments induce different reactions to the same stimuli	• The Chinese focus on context, Westerners on individuals • To the Chinese, knowledge is flexible and context-specific; to Westerners knowledge is fixed and content-specific	Conveyed stimuli/messages/behaviours are not interpreted by the receiver to have the intended meaning → lack of *capacity* to transfer/learn (**disseminative & absorptive capacities**)	Complicates the recognition of valuable knowledge (*initiation*) and the translation and adaptation process of knowledge (*transformation*)
2. Inability to absorb knowledge that is inconsistent with prevalent social schemas	• Chinese holistic vs. Western analytical thinking	The encoded message sent out by the source is not understood by the receiver → lack of *capacity* to transfer/learn(**disseminative & absorptive capacities**)	Complicates the knowledge conversion process (*transformation & association*)
3. Lack of common language or inability to express oneself fully in it	• Formidable language barrier between China and Western countries; linguistic differences (and cognitive schemas on which they are based) are so pronounced, they may influence even relatively fluent speakers	Knowledge cannot be conveyed and articulated fully / recipient cannot understand subtleties of used language → lack of *capacity* to transfer/learn(**disseminative & absorptive capacities**)	Complicates articulation and conversion of knowledge (*transformation*)
4. Semantic barriers, as word meanings and interpretations vary depending on culture-specific underlying cognitive categories	• Numerous cases of ambiguity, interference, or lack of equivalence • Chinese high-context vs. Western low-context communication style • The importance of 'face' practice in China is rarely understood by Westerners	Unarticulated subtle meanings and messages are not understood, leading to a misreading of the other's intentions and expressions → lack of *capacity* to transfer/learn(**disseminative & absorptive capacities**)	Complicates the knowledge conversion process (*transformation & association*)

As evident from the above table, socio-cultural distances between China and the West affect knowledge transfers through all varieties of cognitive and linguistic barriers. It is nevertheless worth taking cognizance of the fact that many Chinese managers in senior management positions engaging in managerial knowledge transfers with their Western colleagues have extensive experience in terms of Western cognitive and linguistic

particularities. Consequently, it may be easier for them to engage in the more direct manner of communication applied in the West, or at least explain to the Westerners why a specific approach might not be effective in Sino-Western knowledge transfers. However, as these cognitive and linguistic aspects are so deeply ingrained within the socio-cultural structure of the society, and the manner in which people learn to think, it is nearly impossible to extract their influence on communication and, hence, knowledge transfers. (Vihakara 2006, 246; Cardon 2009, 30.)

5.3 Normative barriers to managerial knowledge transfer between China and the West

Owing to the formidable socio-cultural distance between China and the West, there are significant differences in their normative set-up, which can act as impediments or barriers to Sino-Western knowledge transfers. In this chapter these barriers will be discussed separately, in line with the commonly applied cultural dimensions presented in chapter 4.3.2. However, it ought to be remembered that these factors do not occur independently of one another, but in fact overlap significantly, and that resultant effects on knowledge transfer effectiveness are a function of this interplay of normative differences and barriers.

5.3.1 *Individualism-collectivism,* guanxi, *and related normative barriers to knowledge transfer*

One of the most fundamental characteristics by which socio-cultural differences between China and the West and their effects on social behaviour and the processing of knowledge can be analyzed is their respective positioning on the individualism-collectivism continuum (Bhagat et al. 2002, 208). Indeed, Western Europe and the USA have been described in academic literature as distinctly individualistic cultures, whereas China has been considered a highly collectivist society. (Hofstede 2005, 78–79; Qin et al. 2008, 269; Qing 2008, 112.)

Based on Confucian philosophy, the Chinese culture is essentially collectivist[8], emphasizing the importance of group-oriented action, hierarchy, and the construction and maintenance of a social network. Each of these traditional values remains an efficacious player affecting Chinese behaviour, and thus naturally exercises an effect

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[8] China scored a mere 20 points (out of 100) on Hofstede's individualism dimension, and is thus characterised as highly collectivist; the majority of Western countries scored around 70 points (Hofstede 2005, 78-79; Qing 2008, 112).

over all such practices, which are influenced by individuals. (Hoon-Halbauer 1994, 86.) Indeed, the collectivist values of the Chinese are the main motivator behind the importance of 'face' and the preference for high-context indirect communication in China as discussed in the previous chapter, as showing negative emotions could threaten group solidarity (Vihakara 2006, 81). As a source for resources, services, knowledge, and various social and economic benefits, membership to a group or collective affects all daily activities in China. Most Chinese develop various network circles of social ties, ranging from family ties to those with colleagues (Qing 2008, 112); group membership provides a form of identity and protection, in exchange for which individuals are willing to offer and transfer knowledge. (Hutchings & Michailova 2004, 87.) The traditional values of collectivist cultures furthermore have a marked effect not only on interpersonal interactions, but also on social systems, such as management systems (Yan & Warner 2002, 142).

This collectivist attitude of the Chinese poses a stark contrast to the individualist West, rendering Sino-Western knowledge transfer vulnerable to individual conflicts or misunderstandings (Yan & Warner 2002, 142). Western cultures are all considered individualist, although the Protestant West seems to hold particularly strong individualist values compared with the Catholic West. As in the case of collectivism in China, individualist values exert heavy influences on the behaviour of Westerners, explaining the self-motivated, open, and direct actions and communication favoured. (Vihakara 2006, 81.)

Indeed, many researchers (e.g. Trompenaars & Hampden Turner 1998, 29–43) have made a distinction between the predominantly *universalist* nature of Western societies, and highly *particularist* China. According to this distinction, Western countries are rule-based cultures, in which everybody and everything is to be treated equally irrespective of the particulars of a situation, whereas particularist societies, such as China, emphasize relationships and the exceptional nature of circumstances. (Vihakara 2006, 79.) This, essentially, is why the Chinese can be expected to be better able to transfer and absorb tacit forms of knowledge than the Westerners: as a collectivist and therefore particularist culture, the Chinese pay more attention to contextual cues in each piece of information (Qing 2008, 115). This tendency to include and consider contextually relevant knowledge is hugely significant in the transfer of systemic and strategic forms of knowledge, of which particularly the latter consists exclusively of highly tacit forms of knowledge, which many individualist cultures may have difficulties in detecting (Bhagat et al. 2002, 210). These differences in values have direct implications on the manner in which people interact; the Chinese, for instance, are likely to apply preferential treatment to specific people, and are less opposed to bending the rules or interpreting information – even modifying truth – than most Westerners. (Vihakara 2006, 79; 97.)

As members of a collectivist society whose main interest lies in the benefit of the group, the Chinese are generally considered willing and effective knowledge providers (Qin et al. 2008, 269). While this has been shown to essentially hold true in numerous studies (e.g. Chen et al. 2010; Chow, Deng & Ho 2000), researchers have identified a common disinclination among the Chinese to share knowledge with individuals who are not considered part of the same group (Qing 2008, 113; Hutchings & Michailova 2004, 87). Because of the socio-cultural distance between China and the West, the risk that the foreigner is considered an 'outsider' (despite working for the same organization) is particularly high in the case of Sino-Western knowledge transfers, and can severely interfere with the willingness of the Chinese to both transfer and absorb knowledge with a Western colleague. (Chow et al. 2000, 68; Ramasamy et al. 2005, 131.) Equally problematic can be the indisposition of Westerners to engage in knowledge transfer if they fail to see any personal benefit they may obtain as a result of transfer activities, or consider the loss of individual knowledge too substantial a risk (Hutchings & Michailova 2004, 87). The opposing positions Chinese and Western managers hold on the individualism-collectivism dimension can therefore result in the establishment of *attitudinal barriers* to managerial knowledge transfer.

In addition to the above-mentioned normative distances between collectivist China and the individualist West, researchers have widely agreed that China's specific networking system poses considerable barriers to Sino-Western interaction and communication (Qing 2008, 112). *Guanxi* is a form of networking unique to and typical of the Chinese society, and inseparable of the Chinese business environment (Buckley et al. 2006, 276). It can be referred to as a "second currency" permeating the economic sphere in China, as it has a prominent influence on corporate networking, negotiations and management activities. (Qin et al. 2008, 270; Luo 2000, 175.) Defined as the cultivation of relationships with implications of long-term exchange of favours, *guanxi* involves various activities – such as gift giving, favours, or personal bonding – the main purpose of which is to develop a trusted friendship (Hutchings & Michailova 2004, 89; Ramasamy et al. 2006, 132). While *guanxi* can be compared with Western networks, it ought to be noted that *guanxi* contains far more exchange of information than networks in the West. This is due to the fact that whereas Western networks are built on co-operation and commitment, *guanxi* is based entirely on mutual trust, and thus requires getting to know each other and forming a friendship. (Vihakara 2006, 109.) Unlike networking activities in the West, *guanxi* is in fact ubiquitous in China, with every-day implications on the manner of interacting (Hutchings & Michailova 2004, 89).

Guanxi relationships require constant reinforcement, as they are highly dynamic in nature. The *guanxi* network is essentially based on the concept of reciprocity, and therefore precludes persistence. Building good relationships is considered essential by many Chinese managers for effective knowledge transfer, as it develops trust and

mutual respect, thus encouraging openness to share and accept the transfers of tacit forms of knowledge. (Ramasamy et al. 2006, 132; Qin et al. 2008, 270–271; Wang-Cowham 2008, 228.) It has further been found to reduce uncertainty and opportunistic behaviour (Buckley et al. 2006, 276). *Guanxi* can therefore also be a tool to overcome the liability of foreignness, moving the Western manager from their initial social position as an outsider towards obtaining an insider status (Hutchings & Michailova 2004, 89; Ramasamy et al. 2006, 131). It can furthermore facilitate knowledge transfers by reducing the risk of losing face (*mianzi*) in front of a colleague, and establishing trust in the quality of the knowledge received (Ramasamy et al. 2006, 133; 136). Similarly, the giving of face can be used to develop a relationship – *mianzi* and *guanxi* are therefore closely intertwined in governing the effectiveness of interpersonal interactions with the Chinese (Buckley et al. 2006, 276).

The significance of *guanxi* has been considered as particularly pronounced in the interactions within networks of individuals, wherein individual connections are frequently used to gain access to, or favours from, specific people. However, as a core value of the Chinese culture, *guanxi* is equally pivotal to the interaction between just two individuals; the principles of *guanxi* govern the fluency of the entire interaction process. (Hutchings & Michailova 2004, 89; Vihakara 2006, 106.) Relationship-building activities, the large majority of which occur in the individuals' leisure time and have little or nothing to do with the actual work, develop a basis on which the entire subsequent knowledge transfer episode is built. (Buckley et al. 2006, 281.) If successful, such a relationship can considerably lessen most other cognitive or psychological barriers to Sino-Western knowledge transfers.

While the juxtaposition of individualism and collectivism allows for valuable comparison between normative approaches, it ought to be noted that these positions are by no means constant. While the Communist regime has emphasized China's collectivist tendencies in the 20th century, the opening up of the markets in the 1980s have introduced Western influences and, consequently, increased the individualistic values among many Chinese. Financial and reputational rewards are becoming increasingly important, and individuals have come to understand the power of knowledge to its holder. While these changes must be taken into account, they are nonetheless minor in light of the influence deeply ingrained collectivist values, underpinned by strong Confucian ethics, still have on perception, interpretation, and interaction. (Hutchings & Michailova 2004, 89; Qin et al. 2008, 269–280; Vihakara 2006, 100.)

5.3.2 Power distances and the effects of patterns of vertical and horizontal individualism-collectivism on Sino-Western knowledge flows

The degree to which the normative institutions of China differ from those of the West is further evident in their respective levels of power distance (Chen et al. 2010, 231). The concepts of the vertical and horizontal dimensions of power distance are very closely related to the dimensions of collectivism and individualism, and it is indeed impossible to consider them entirely separate of each other. Indeed, knowledge has been shown to flow differently depending on both *who* knowledge is shared with, and in *what direction* it flows. (Bhagat et al. 2002, 209.) This chapter will thus attempt to superimpose these dimensions and identify related barriers to Sino-Western knowledge transfers. The extant literature defines China as a collectivist, *high* power distance culture, whereas Western countries are characterized as individualist, *low* power distance cultures[9] (Chen et al. 2010, 231; Möller & Svahn 2004, 223).

The implications of different levels of power distance on interaction and communication are manifold. Collectivist cultures can be either horizontal or vertical, depending on the degree to which individuals emphasise "oneness" with fellow members of a group, or whether they suppose a more hierarchical structure. (Bhagat et al. 2002, 210.) Power distances in China emerge from the intricate interactive relationships between influences of the traditional Confucian emphasis on hierarchy[10] and the more recent, Maoist communist ideology of equality (Vihakara 2006, 97). Whilst communism placed the responsibility of taking care of the weaker parties with the state, there have always been assumptions within the Chinese culture indicating that inequality is eternal[11]; consequently, China is generally considered a highly vertically oriented, collectivist culture (Vihakara 2006, 100).

As a high power distance culture, China is highly hierarchical, discouraging open discourse from employees of lower levels to higher level managers (Qin et al. 2008, 269; Qing 2008, 11). Higher level colleagues are rarely challenged, as they are expected to have superior knowledge and are "always right". Undermining one's hierarchical superior by doubting or questioning their statements is not considered acceptable, and employees are generally discouraged to freely take initiative. (Adler 1991, 50; Wang-Cowham 2008, 226.) Consequently, knowledge transfers in China rarely move upwards

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[9] Hofstede assigned the score of 80 for China on the power distance dimension, whereas most Western countries score around 40 (Hofstede 2005, 43).

[10] Confucian philosophy considers inequality a necessity based on the Five Cardinal Relationships (wu lun): relationships between rulers and subjects; fathers and sons; husbands and wives; brothers and; friends. These hierarchical relationships define a man, and social order is based on people honouring the requirements related to their role. (Vihakara 2006, 98.)

[11] These assumptions are as follows: first, differences between individuals are eternal and the division of labour can never be avoided; second, people have a tendency to organize hierarchic societies in which division of labour exists; and third, competition is independent of human will. (Vihakara 2006, 100.)

across hierarchical levels – partly due to the inhibitions of employees to challenge or offer knowledge to their hierarchical superiors, and partly due to the unwillingness of higher level managers to admit that their subordinates might possess superior knowledge. (Qin et al. 2008, 269; Qing 2008, 117.) In contrast, knowledge flows fairly uninhibitedly between peers, or in a downward hierarchical direction, as people in large power distance cultures such as China tend to be more sensitive to information and clues coming from figures of authority, and absorbing knowledge transferred from higher levels is considered obligatory learning. (Bhagat et al. 2002, 213; Qing 2008, 117.) Power distance thus affects not only the direction of knowledge flows in China, but also the willingness of employees to share their knowledge with any particular receiver. (Qin et al. 2008, 269.)

Individualist countries, too, can be either vertical or horizontal. In the case of Western cultures, this divide is not entirely unambiguous; while many Western countries (such as Denmark, Sweden, or Australia) have highly horizontal cultures, whose peoples expect a relatively equal status with everyone, various Western nations have been claimed to exhibit vertical tendencies, expecting inequality in status (e.g. Germany). (Bhagat et al. 2002, 210.) There is, however, a highly significant difference between vertical cultures in the individualistic West and vertical collectivist societies: whereas in the former hierarchy is *achieved* by individuals competing with each other for the highest possible status, hierarchy in collectivist cultures is largely *given*. This means that the hierarchy in China is determined mainly by factors of age, and stipulates an individual's social standing and – consequently – all their social relationships. (Triandis 1995.) In order to avoid overcomplicating the analysis, and in line with the majority of academic research (e.g. Adler 1991; Qin et al. 2008), this study will thus assume a mainly horizontal individualist value system in the West.

As low power distance cultures, Western countries are characterized by relatively open discourse and knowledge transfer, where it is common for subordinates to challenge or bypass their managers in order to increase efficiencies within projects (Adler 1991, 50; Qin et al. 2008, 269). Status, titles, or other formalities hold relatively little significance in Western cultures, and knowledge is allowed to flow freely in all directions (Adler 1991, 51; Vihakara 2006, 97); anyone can (and might in fact be expected to) participate in decision-making processes, and differences between groups are at a minimum (Vihakara 2006, 97). Indeed, knowledge transfers amongst Western managers are largely characterized by the willingness of both parties to find compromises to allow for the uninhibited transfer of knowledge (Minbaeva 2007, 577). Consequentially, horizontal individualists are adept in transferring knowledge with each other – particularly knowledge that is relatively independent of context, as horizontal individualists tend to emphasize the abstractive nature of the knowledge over the

contextual cues related to hierarchy, status, or similar attributes (Bhagat et al. 2002, 213; Möller & Svahn 2004, 222).

Whilst common attitudes towards the distribution of power in a hierarchy are generally understood and accepted within each individual culture, difficulties emerge when knowledge transfers attempt to cross these normative distances. In managerial knowledge transfers between authoritative China and Western countries favouring compromise, the misalignment of normative backgrounds frequently leads to inefficiencies of interaction. (Lucas 2006, 266.) Such difficulties arise from numerous sources related to both the disseminative and absorptive capacities of both parties. Indeed, radical differences in power distance levels between two parties of a knowledge transfer episode can lead to both the refusal to accept knowledge, or the inadequacy of used transfer methods in the given context. Differences along the power distance dimension are most likely to prevent the establishment of successful two-way communication between the Chinese and the Western manager, thereby decreasing overall transfer effectiveness. (Chen et al. 2010, 234.)

Insufficient understanding of the normative culture motivating the behaviour of the other party might lead to the use of inefficient transfer mechanisms or approaches by both knowledge source and recipient. Originating in a horizontal individualist culture, Westerners might for instance fail to understand that the Chinese counterpart is not used to learning through self-study or initiative, but generally requires or expects a more hands-on approach to acquiring knowledge.[12] (Chen et al. 2010, 234; Möller & Svahn 2004, 225.) Specific transfer techniques frequently applied by Western managers, including observation (for the transfer of systemic knowledge) or experiential learning and reflection (for strategic knowledge forms), are built on the premise that learning occurs best through observation, trial, and self-reflection – this premise, however, does not correspond with Chinese assumptions or techniques, and has been found to lead to frustration on the Chinese manager's part. This, in turn, might lead to misunderstanding and distrust between the two parties. (Chen et al. 2010, 237.)

The emphasis on age as a determinant for social status in China might furthermore lead to conflict or barriers in the interaction between Western and Chinese managers. In a situation of two managers on approximately the same organizational level, the Chinese are likely to establish a hierarchy by allowing superiority to the more senior manager. If the Western manager is unaware of this practice, it might result in confusion and, in the worst case, conflict. In terms of knowledge transfer this could be

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[12] The majority of vertical collectivist cultures employ a strict management style, characterized by constant supervision and precise guidelines. Employees generally come to expect this approach, and have been found to be considerably less motivated and hard working if unsupervised, or if they have not been given any instructions. While this attitude is not as severe in higher level managers, it nonetheless influences the manner in which they are used to learn. This management style differs radically from the trust-based management in most Western organizations. (Hofstede 2001, 240-241.)

particularly harmful if the Western manager is considerably younger, and thus commands no authority or respect from their Chinese colleague. The latter might then establish attitudinal barriers, reducing absorptive capacities, or even feel insulted by being asked to consider a much younger colleague an equal, or teacher. (Hofstede 2001, 122.) Furthermore, the authoritative Chinese manager might feel threatened by their need of new knowledge, and be unmotivated to assume the role of a student – they may therefore establish barriers to the transfer by clinging to their position within their hierarchy (Lucas 2006, 266).

Conversely, as knowledge provider the Chinese manager is generally involved rigorously in the transfer process, and commonly attempts to convert tacit knowledge to explicit knowledge by providing specific scripts or guides (Chen et al. 2010, 238). The Chinese manager frequently assumes an authoritative position that might occasionally lead to a failure to allow for adaptation of the knowledge to the Western manager's own set of cognitive and normative frameworks (Möller & Svahn 2004, 225). In such an event the overall effectiveness of the transfer process may suffer. In general, however, the Western manager assumes the role of a proactive learner, and is likely to effectively acquire knowledge as long as the Chinese partner is motivated to participate in the transfer. (Chen et al. 2010, 235.)

5.3.3   *Uncertainty avoidance and perceptions of time in China and the West*

Although somewhat less prominent than the dimensions of individualism-collectivism and power distances, uncertainty avoidance exerts considerable influence on the effectiveness of knowledge transfers. It determines the attitude towards change and other unstructured situations, and as change and progress is the focal objective of managerial knowledge transfers, this fundamental normative variation can be a significant impediment to effective knowledge flows. (Qing 2008, 118; Vihakara 2006, 83.)

A weak uncertainty avoidance society such as the Chinese is characterized by an inherent acceptance of unstructured situations, the implications of which are clearly evident in any business interaction. Researchers have found the Chinese to adhere to comparatively vague objectives, and broad assignments – strict rules, a common indicator of strong uncertainty avoidance, are few in China, and even existent rules are rarely considered absolute. (Qing 2008, 118; Vihakara 2006, 83.) Another indication of China's uncertainty acceptance is the less expressive and non-emotive manner of communication, indicative of a lack of fear of uncertain situations, and an adaptive attitude towards new ideas and behaviour (Vihakara 2006, 83). These characteristics allow the Chinese to approach knowledge transfers with a relatively open and receptive

attitude, positively influencing absorptive capacities. Tolerance for ambiguity is furthermore closely related to high-context cognitive schemas, and is amongst the various factors which together render the Chinese particularly receptive to tacit and systematic forms of knowledge (Qing 2008, 118).

Of all the dimensions, uncertainty avoidance evokes the least congruence amongst Western nations. Whilst Nordic countries (such as Denmark, or Sweden) are considered to hold very weak levels of uncertainty avoidance, others (such as Germany, Switzerland, or Austria) are characterized by their strict adherence to rules and timetables, and have therefore been labelled uncertainty avoidant. Another group of Western countries (e.g. United Kingdom or France) position themselves in-between the afore-mentioned extremes.[13] (Hofstede 2005, 168–169.) In terms of knowledge transfers, the degree to which the Western manager represents an uncertainty avoidant culture is of evident significance: while uncertainty *accepting* cultures are flexible and open towards new knowledge and resultant changes, uncertainty *avoiding* individuals are less likely to accept new and alternative knowledge. Uncertainty avoidance levels therefore directly influence the absorptive capacities of knowledge transfer participants.

The degree to which a culture is tolerant to ambiguity and uncertainty is closely related to their orientation towards time. The concept of time, as well the perceptions of how the past, present and future are related, are important cultural dimensions, and differ significantly between cultures (Trompenaars & Hampden-Turner 1998, 120). On one extreme, people perceive time as a scarce asset, the loss or waste of which ought to be avoided by the making and following of schedules. These cultures are *linear-active* or *monochronic* in that time is perceived as a straight line, a series of individual events occurring one at a time. (Redding 1980, 133–135; Vihakara 2006, 81.) This continuum can further be divided into measurable portions, out of which monochronic cultures derive concepts such as punctuality, scheduling and deadlines (Redding 1980, 133; Trompenaars & Hampden-Turner 1998, 123). Cultures of high uncertainty avoidance, such as the United States, belong to this group; to them, time is money, and the past is gone forever. However, Vihakara points out that linear-active tendencies are also evident among some uncertainty accepting Western cultures (such as Scandinavians), indicating a relationship between individualism and monochronic perceptions. (Vihakara 2006, 81.)

China is closer to the other extreme of the continuum, and is considered mainly *multi-active* or *polychronic*. Time was never established as an absolute in Chinese philosophy, but is instead considered illusory, deriving its meaning from its association with events (Redding 1980, 134). Polychronic cultures often like to do several things simultaneously, and consider relationships and the successful completion of tasks more

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[13] For a detailed score of uncertainty avoidance levels please see Hofstede 2005, 168–169

important than the following of strict time frames. (Redding, 1980, 135; Trompenaars & Hampden-Turner 1998, 124; Vihakara 2006, 82.) There are some indications, however, that the polychronic nature of the Chinese culture is not entirely uncomplicated: in contrast to the stereotypical polychronic cultures, the Chinese are in fact very conscious of taking other people's time, and appointments are generally kept. Nevertheless, meetings are often extended for long periods of time, allowing both parties to get to know each other, and to fully exhaust the topic under discussion. (Vihakara 2005, 102.) Among others, Lewis (2004, 57–58) and Redding (1980, 135) suggest that the Chinese have in fact a *cyclic* perception of time, in which time is no scarce commodity, and the past and the future are perceived as interrelated informants of present actions (Vihakara 200, 82). These characteristics have a direct impact on the style of decision-making: as past actions influence the present, people need to carefully consider the consequences of their decisions, and decision-making often takes a long time (Li & Scullion 2006, 79; Vihakara 2006, 82).

As might be expected, differences in the perception of time may lead to conflict between the Western manager's sense of punctuality and their Chinese colleague's more flexible attitude towards time. Western organizations tend to be heavily reliant on their perception of time, frequently placing it at the centre of their frameworks and control systems. If the sequencing of events is not understood unequivocally, the receiving party might have difficulties in decoding the transfer mechanisms correctly; additionally, different perceptions of punctuality are likely to induce feelings of frustration in both parties, thus hampering the interaction process. (Redding 1980, 145.)

The differences between normative characteristics of individualism/collectivism, power distance, and uncertainty avoidance can thus be expected to have severe influences on Sino-Western knowledge transfers. Their specific effects on the managerial knowledge transfer process between Chinese and Western managers are illustrated in Table 8 below.

Table 8   The effects of normative barriers on Sino-Western managerial knowledge transfer processes

Normative barriers			
Barrier	Barrier in Sino-Western context	How does it affect knowledge transfers	During what stage does it affect transfers
5. Differences in power distance levels	• High power distance levels in China vs. low power distance levels in the West – the former is authoritative, whereas the latter favours compromise	Incompatibilities in power distance levels cause the transferors to erect barriers in defense of their own values or of their position of power → lack of *willingness* to transfer/learn (**disseminative & absorptive capacities**)	Complicates the entire transfer process from *initiation* to *implementation*
6. Differences in individualism/ collectivism levels	• Collectivist China vs. individualist West • Particularist China vs. universalist West • China's focus on group-membership and *guanxi* impede interactions with Westerners (often seen as outsiders)	Misalignment leads to the erection of barriers due to disagreement as to whom knowledge belongs to, and who it should be shared with → lack of *willingness* to transfer/learn (**disseminative & absorptive capacities**)	Complicates the entire transfer process from *initiation* to *implementation*
7. Differences in uncertainty avoidance levels	• Weak uncertainty avoidance levels in China (flexible and vague rules) vs. stronger uncertainty avoidance levels in the West (stricter rules) • Polychronic China vs. the monochromic West	Strong uncertainty avoidance creates resistance to change or to absorb new knowledge → lack of *willingness* to learn (**absorptive capacity**)	Complicates the entire transfer process from *initiation* to *implementation*
8. Misalignment of message or transfer mechanism with recipient values	• Chinese "hands-on" approach to learning vs. Western focus on self-study and initiative	Misalignment leads to refusal or inability to absorb knowledge → lack of *capacity* and/or *willingness* to transfer (**absorptive capacity**)	Complicates the acceptance of knowledge (*association & implementation*)

5.4 Attitudinal barriers to managerial knowledge transfers between China and the West

The previous chapters have dealt with a variety of cognitive and psychological distances between China and the West, which often manifest themselves through the erection of barriers to knowledge transfer. Many of these barriers are essentially attitudinal, or lead to an attitudinal indisposition against the acceptance of knowledge or the willingness to share it. Hence, a negative attitude towards transferring knowledge might be the consequence of, for instance: loss of face (chapter 5.2.2); a disinclination to share knowledge with an 'outsider' or someone whom one does not trust (chapter 5.3.1); applying a transfer method that does not take into account the recipient's cognitive and normative background (chapters 5.2.1 and 5.3.2); or an attempt to avoid change (chapter 5.3.3). In addition to these, however, there are various attitudinal influences specific to

Sino-Western knowledge transfers that cannot be directly derived from the cognitive or normative distances between these countries.

According to various research findings, the general motivation to acquire knowledge seems to be high amongst most Chinese managers. Despite their hierarchical background, the Chinese do not appear to develop any severe symptoms of the NIH-syndrome (see chapter 4.3.3), but instead are eager to learn and to develop themselves. (Tsang 2001/1, 44; Wang-Cowham 2008, 234.) This could be consequent of the fact that, having been plunged into the competitive market environment from the safety and constancy of a planned economy, many Chinese managers are finding much of their previous knowledge to be obsolete and inadequate for its new purpose, and search eagerly for new management concepts and techniques (Fan 1998, 208). This acquisitive attitude is evident particularly amongst the younger and highly educated Chinese, who are often very motivated to acquire fresh knowledge from the West in order to become more competitive in terms of future career advancement (Fan 1998, 208; Wang et al. 2004, 178).

Amongst the older generations, however, there remains a slightly discriminatory attitude towards managerial knowledge types. China's state-owned enterprises (SOEs) have traditionally stressed the importance of technological knowledge over management know-how, and many Chinese to this day do not fully appreciate the value of managerial knowledge, or consider it simply a body of quantitative techniques. (Tsang 2001/1, 47–48; Wang et al. 2004, 177-179.) The orthodox Marxist theory had no place for culture-bound know-how such as marketing, and continues to establish ideological obstacles to its dissemination amongst Chinese managers (Fan 1998, 214). Furthermore, many Chinese managers have a strictly technical background, and might either not possess sufficient management knowledge, or sufficient motivation to effectively acquire advanced managerial skills. (Tsang 2001/1, 47–48; Wang et al. 2004, 177-179.) Many Chinese managers simply lack the essential marketing knowledge or competitive experience needed for international success, making it all the more important for knowledge transfers between Westerners and the Chinese to become more effective. It ought to be remembered, however, that in acquiring new managerial knowledge from the West Chinese managers must re-examine their entire value system, and abandon practice which the have followed for 50 years. (Fan 1998, 208.) The rejection of these requirements in favour of the old and familiar ways of business is called the SOE mentality, and might emerge as a significant barrier to the absorptive capacity of the Chinese manager.

The dismissive attitude towards management knowledge is furthermore widely emphasized if the source of the knowledge is Western. Traditionally, the Chinese pride themselves in the management and strategist theories inspired by ancient literature, such as Sun Tze's "The Art of War". (Fan 1998, 216.) The ambivalent mentality towards

Western knowledge imbued among the Chinese during their country's international isolation can be epitomized in the following slogan:

> *To keep Chinese learning for fundamentals, to take Western learning for practical needs.* [14] (Chinese Slogan)

Western management disciplines have been widely considered "bourgeois pseudo-sciences" by the traditionalist Chinese (Fan 1998, 213); this traditional attitude still affects many Chinese, particularly the older generations, although it has more recently been offset by an equally one-sided view considering everything Western as superior and universally applicable. Both these views can give rise to barriers to Sino-Western knowledge transfers, as they will not allow for the acquisition or the conversion of knowledge to adapt it to its new context. (Fan 1998, 216.) Similar inherent conflicts are unlikely to be resolved as long as the Chinese government pursues its two contradictory goals: establishing a capitalist economy whilst upholding a communist ideology (Fan 1998, 214).

An attitudinal disinclination to acquire knowledge might also result from the perception of inequalities in the relationship between the two managers. Numerous researchers have detected a tendency for the Chinese to feel overpowered by their Western colleagues, even if the latter is not assigned to a superior position within the organization. Indeed, Chinese managers frequently feel that they are looked down upon or insufficiently appreciated by Westerners. These feelings of inequality are often enhanced by considerable salary differentials between Western and Chinese managers. While these feelings might result from as simple factors as general height differences, due to which some Westerners physically speaking look down on the Chinese, they can nonetheless lead to widened social distances between the parties, which in turn are likely to induce the erection of barriers to knowledge transfers. (Tsang 2001/1, 46.)

China's modern history has further influence on the Chinese managers' willingness to share their knowledge. The pre-reform era saw a ten years' absence of a normal educational system, ingraining in the public an appreciation for the importance of knowledge. After 'waking up' from China's closed-door policy, this belief of 'knowledge is power' led to a tendency to hoard knowledge, i.e. the IH-syndrome (see chapter 4.3.3). (Li & Scullion 2006, 80; Ramasamy et al. 2005, 131.) Apprehension about failures can further induce knowledge hoarding behaviour in Chinese managers, occasionally leading as far as to justify passivity (Hutchings & Michailova 2004, 87). In Sino-Western knowledge transfers, this disinclination to transfer knowledge is further emphasized by the perception of Westerners as 'outsiders'. (Li & Scullion 2006, 80;

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[14] Fan 1998, 216

Ramasamy et al. 2005, 131.) Amongst individuals considered as group members, however, the Chinese have been found to have a fairly high propensity to share knowledge to benefit the company, even is this should lead to potential damage to the person's self-interest. This is in stark contrast to the individualist Western managers, who are unlikely to transfer knowledge at personal harm even if this should be most beneficial for the collective. (Hutchings & Michailova 2004, 87.)

The table below illustrates the manner in which attitudinal barriers affect managerial knowledge transfer processes between Chinese and Western managers.

Table 9   The effects of attitudinal barriers on Sino-Western knowledge transfers

Attitudinal barriers			
Barrier	Barrier in Sino-Western context	How does it affect knowledge transfers	During what stage does it affect transfers
9. Invented Here syndrome	• Tendency to hoard knowledge common amongst some Chinese managers; knowledge considered source of power, and Westerners not considered appropriate partners	Reluctance to share knowledge out of fear of losing ownership and power → lack of *willingness* to transfer (**disseminative capacity**)	Complicates the availability of knowledge (*initiation)* and reduces the participation of source in subsequent stages
10. Not Invented Here syndrome	• Rejection of Western managerial knowledge or of Westerners as acceptable knowledge source common amongst Chinese managers	Refusal to absorb external knowledge that challenges the competence of current knowledge holders → lack of *intent* to learn (**absorptive capacity**)	Complicates the entire transfer process from *initiation* to *implementation*

5.5 The combined effects of cognitive, normative, and attitudinal distances on the effectiveness of managerial knowledge transfers between Chinese and Western managers

While the cognitive and psychological barriers impeding Sino-Western knowledge flows can be identified and discussed individually, as has been done in this chapter, it ought to be remembered that it is in fact their combined and interconnected impact which eventually determines the behaviour of the managers involved. The following chapter will consider this combined impact of barriers as they affect the various knowledge transfer episodes, which together constitute the dyadic knowledge flows between a Western and a Chinese manager.

Table 10 is a summation of the effects on knowledge transfer effectiveness of the various cognitive, normative and attitudinal barriers discussed in the above chapters. These have been divided into effectiveness of knowledge transfers from a Western provider to a Chinese recipient, a Chinese provider to a Western recipient, and − for

comparison's sake – a Western provider to a Western recipient, and a Chinese provider
to a Chinese recipient.

Table 10   The influence of cognitive and psychological distances on knowledge
                    transfer effectiveness between Chinese and Western managers.

	Western Provider Individualistic, Small PD, Strong UA	**Chinese Provider** Collectivist, Larger PD, Weak UA
Western Recipient Individualistic, Small PD, Strong UA	**Very effective, few barriers:**	**Effective, a few barriers:**
	Barriers to absorptive capacity of Westerner: • Knowledge tacitness; • Knowledge gaps; • Intolerance towards change and uncertainty	**Barriers to absorptive capacity of Westerner**: • Knowledge encoding techniques do not account for differences in holistic/analytical thinking; universalist/particularist thinking; or power distances; • Insufficient language skills; • Westerners fail to perceive or understand tacit/indirect knowledge; • Intolerance towards change&uncertainty; • Frustration: different perceptions of time
	Barriers to disseminative capacity of Westerner: • Knowledge tacitness	**Barriers to disseminative capacity of Chinese**: • Insufficient language skills; • Disinclination to share knowledge with 'outsiders' or people without *guanxi*; • Frustration: different perceptions of time; • Tendency to hoard knowledge
Chinese Recipient Collectivist, Larger PD, Weak UA	**Least effective, some barriers**:	**Very effective, few barriers**:
	Barriers to absorptive capacity of Chinese: • Knowledge encoding techniques do not account for differences in holistic/analytical thinking; universalist/particularist thinking; or power distances; • Insufficient language skills; • Western directness aggressive/insulting; • No Western consideration for face practices; • Disinclination to accept knowledge from 'outsiders' or people without *guanxi*; • Frustration: different perceptions of time; • SOE mentality; • Dismissive attitude towards Western knowledge sources	**Barriers to absorptive capacity of Chinese**: • Knowledge gaps; • Respective position in social hierarchy; • SOE mentality
	Barriers to disseminative capacity of Westerner: • Insufficient language skills; • Unwillingness to transfer knowledge if no perceived personal benefit; • Frustration: different perceptions of time	**Barriers to disseminative capacity of Chinese**: • Respective position in social hierarchy; • Disinclination to share knowledge with people with whom one has no *guanxi*

As evident from Table 10, there are a great number of barriers impeding the transfer of managerial knowledge between Chinese and Western managers. These are particularly detrimental for the *absorptive capacities* of both transfer parties, thus making it more difficult to acquire or accept knowledge than to provide it. This is testimony to the influence of socio-cultural distance on the cognitive and psychological capabilities to *understand* knowledge that originates in a radically different context, and to *accept* it as appropriate, trustworthy and valuable. To a much lesser degree, socio-cultural distances also influence the transferors' *disseminative capacity*, thus affecting their preparedness to provide knowledge. The barriers to disseminative capacities, however, are less concerned with the aspects of the knowledge as such, and arise chiefly out of the unfruitfulness or weakness of the mutual relationship between the Chinese and the Western manager. These findings support the theoretical assumptions made in Chapter 4.1 about the importance of contextual distances on both the intent and the capability factors of absorptive capacities, whereas disseminative capacities are affected only through the influence of socio-cultural distances on the willingness to transfer.

In comparison with the barriers to Sino-Western managerial knowledge transfers, Western-Western or Chinese-Chinese knowledge transfers are very effective (Chen et al. 2010, 235). The particular characteristics of both the Chinese and the Western socio-cultural backgrounds present certain challenges to managerial knowledge transfers, such as the ineptitude of individualistic and universalistic Westerners to understand, perceive and – hence – transfer tacit forms of knowledge; or the specific social knowledge barriers erected in collectivist China between different, non-connected individuals. In general terms, however, these knowledge transfers flow relatively freely, as individuals can communicate and understand each other fully and effortlessly, and operate on the same basic assumptions and perceptions. Applied transfer mechanisms can be expected to be effective for both transfer parties, and the transfer, conversion and acquisition phases are thus unlikely to face any severe barriers.

Of individual transfer episodes within Sino-Western knowledge transfer processes, transfers from Western providers to Chinese recipients appear to be the most difficult. As evident from Table 10, there is a wealth of barriers facing these transfers, the majority of which affect the ability and intent of the Chinese recipient to acquire knowledge from the Western provider. The reasons as to why the Chinese have more difficulties in the acquisition of knowledge might be related to their collectivist values, and the fact that they usually base such knowledge transfers upon a strong personal relationship. Cultural differences and resultant communicational difficulties are likely to induce distrust and misunderstanding, resulting in a weak relationship. This, in turn, makes it difficult for them to understand and accept incoming knowledge. (Chen et al. 2010, 235–239.) Socio-cultural distances may therefore have a more significant impact

on the absorptive capacity of a Chinese than that of a Westerner, who is not as much bound to the establishment of mutual trust and friendship in order to acquire knowledge.

Knowledge flows in the opposite direction, from a Chinese to a Western manager, can be expected to be less problematic, albeit not significantly. Chen et al. (2010, 235) suggested that the success of knowledge transfers in this direction depends largely on the keenness of the Chinese provider to transfer knowledge, as there are only a few barriers to the Westerner's understanding of the knowledge (notably their common difficulties in perceiving tacit knowledge), and almost none to the Westerner's willingness to acquire new knowledge and thereby increase personal benefit. Whilst the Chinese manager's intent to transfer knowledge is affected by the strength of the mutual relationship (similar to the capacity to acquire knowledge), they are in a slightly more powerful position as knowledge provider, and therefore could be expected to have more influence on the manner in which the transfer is conducted. This might explain why Chinese–Western knowledge transfers are slightly more effective than Western–Chinese knowledge transfers.

In any case it ought to be remembered that knowledge transfers are not individual episodes, but occur simultaneously, and these analyses are therefore decidedly artificial (Lucas 2006, 272). They do, however, shed some light on the particular impediments to Sino-Western knowledge transfers, and together might explain why these transfers may not be entirely effective, and how they could be facilitated, as discussed next in chapter 6.

6 FACTORS MITIGATING THE DETRIMENTAL EFFECTS OF COGNITIVE AND PSYCHOLOGICAL BARRIERS TO SINO-WESTERN MANAGERIAL KNOWLEDGE TRANSFERS

The previous chapters identified various impediments to managerial knowledge flows between Chinese and Western managers. While these barriers are very difficult to overcome, there are nonetheless certain factors, which might counteract their influence on absorptive and disseminative capacities, thus increasing knowledge transfer effectiveness. Such factors will be discussed in more detail in the following chapter.

6.1 Increasing knowledge transfer effectiveness

While the negative impact of socio-cultural distance on the transfer and acquisition of knowledge across borders has been relatively well documented, there have been but a few attempts to explore how such distance could be bridged (Li & Scullion 2006, 83). Indeed, as the actual barriers involved are highly context-specific, and cannot be unequivocally described without expressive insight into the relationship within which they occur, it is impossible to draw up a universal list of techniques to counter these barriers (Jensen & Szulanski 2004, 510). It is nevertheless possible to identify a few factors that can be expected to increase knowledge transfer effectiveness by directly counteracting the influence of aforementioned barriers.

The factors discussed in this chapter are richness and openness of interaction; shared identity; and trust. While this is certainly no exhaustive list of factors that might facilitate managerial knowledge transfer effectiveness over socio-cultural distances, it does represent those factors, which are likely to uphold their significance despite specific variations in distances or contexts. This is because they do not emerge from the specific transfer context, but rather from the fact that have a counteracting impact on transfer barriers. The positive effect of these factors emerges from the fact that they affect individual absorptive and disseminative capacities in much the same way impediments do (see chapter 4.1). Whereas impediments act as a force against absorptive and disseminative capacities, however, facilitating factors increase them. By positively influencing the willingness and capacity of transferors to transfer and absorb knowledge, such facilitators counteract the negative influences of socio-cultural distances on managerial knowledge transfers, thus increasing overall transfer effectiveness. Effectiveness can thereby be increased even if socio-cultural distances remain unaltered.

6.2 Counteracting the effects of cognitive and psychological barriers to Sino-Western managerial knowledge transfers

6.2.1 *Moderating the richness of interaction and degree of openness to facilitate knowledge flows*

The frequency and depth of interactions between the Chinese and the Western manager are among the most obvious factors in facilitating cross-cultural awareness, and thus overcome some of the aforementioned barriers to knowledge transfers. Interactions will act as a source of socio-cultural information of the other party, thus creating understanding of appropriate behaviours in the foreign context. Selmer (2006, 354) noted that managers with frequent such interactions exhibit more appropriate behaviours than others, as the deeper relationships acquired help bridge the gap between the Western and Chinese socio-cultural backgrounds. They thus create an appreciation and sensitivity of cultural differences, and consequently foster adjustment. (Selmer 2006, 354.) These factors, in turn, facilitate mutual respect and understanding, and have been found to be positively correlated with performance and overall effectiveness of knowledge flows (Selmer 2006, 358–359).

Interactions provide the very channels through which knowledge flows, and their quality and depth therefore have considerable influence on the effectiveness of knowledge transfers (Li 2004, 20). Continuous open interchange between managers allows them to conceptualise their shared implicit perspectives and cognitive frames, thus helping to overcome the various cognitive and normative barriers discussed in previous chapters (Bhagat et al. 2002, 214). The significance of interaction and communication quality and frequency has been pointed out repeatedly, although it has not been specifically studied in relation to managerial knowledge transfers. Numerous researchers nevertheless acknowledge the role of interaction as a determinant of knowledge transfer effectiveness. Krogh, von and Roos (1996, 21) identify three aspects of interaction to be essential for effective cooperation: communication quality, information sharing, and participation. The first of these refers to aspects such as accuracy, timeliness, and credibility of the knowledge, whereas the second focuses on the relevance, specificity, and importance of information. Finally, participation refers to the individuals' role in joint planning, and the efforts taken to match expectations. (Krogh, von & Roos 196, 21.) The quality of interaction therefore depends on aspects of both frequency or *richness* of communication, and *openness*, i.e. the degree to which individuals are prepared to share critical knowledge with their colleague.

The transfer of managerial (i.e. highly tacit) knowledge across the various aforementioned barriers generally requires numerous individual exchanges (Minbaeva 2007, 579). Extensive social interactions can take the forms of joint work, mutual visits, meetings, or task forces, but most significant is the frequent and consistent personal interaction between the Chinese and the Western manager, both work related and leisure related (Li 2004, 20; Riege 2007, 53–57). Interactions can therefore be both formal and informal (Gupta & Govindarajan 2000, 478), but can generally be expected to benefit from a non-bureaucratic nature (Riege 2007, 56). Central to these interactions is a shared physical context enabling the establishment of multi-layered knowledge platforms between the managers; interactions should thus span an array of layers, incorporating various media, settings, contexts, and directions (Li & Scullion 2006, 82). It is therefore not merely the existence of communication channels, but also the *richness* of such links, which influences transfer effectiveness (Minbaeva 2007, 579); Gupta and Govindarajan (2000, 478) identified a strong positive correlation between informality, openness, and density of interactions, and overall transfer effectiveness. Communication bridges, conditions for mutual learning, and systems to capture and share learning are among the many layers the combination of which would result in a rich interaction between two managers from different socio-cultural backgrounds (Minbaeva 2007, 578–579). Accordingly, in order to be sufficiently rich in quality to facilitate tacit knowledge transfer effectiveness, interactions should ideally exist both face-to-face (as is generally preferred by the Chinese) and virtually (as common amongst Westerners) (Li & Scullion 2006, 82). The existence of such multi-layered communication flows is particularly important for the Chinese, whose *guanxi*-based relationship system requires communication that exceeds daily business operations, and can be highly social and informal (Ramasamy et al. 2006, 134). The density of interaction interface between the managers significantly contributes to the richness of the media involved (Gupta & Govindarajan 2000, 478), which in turn affects the openness and trust that develops from these interactions.

The richness and openness of interactions between two managers furthermore are a prerequisite for the building of trust and creation of a shared identity (Selmer 2006, 358–359), discussed in detail in the following two chapters.

6.2.2 *Shared identity and a common language to facilitate Sino-Western managerial knowledge transfers*

Rich and open interaction is crucial for the facilitation of knowledge flows across socio-cultural distance, but insufficient on its own (Buckley et al. 2006, 277, 281). In fact, the richness of interaction channels is significant only inasmuch as it supports the

establishment of a shared identity by creating cross-cultural awareness (Adler 1991, 359). Awareness refers to a consciousness about the presence of socio-cultural (or other) differences, and the degree to which these influence individual and organisational behaviours (Hofstede 2005, 359; Trompenaars & Hampden-Turner 1997, 196). It is manifested in managers who are aware of possible differences in cultures, and of the way in which culture-bound basic assumptions or values can determine the way in which stimuli is perceived, communicated, and accepted. Such awareness allows managers to consciously look for these influences, and evaluate and interpret messages within their actual or intended contextual frames. Whilst awareness does not necessarily equate an understanding of the influences of a particular culture, it nevertheless helps managers to prepare themselves for their existence, and to try to limit the degree to which they allow such assumptions to influence their own behaviour and communication style. After all, it is most difficult to become aware of one's own cultural conditioning. (Adler 1991, 77–78; Hofstede 2005, 359.) Hence, awareness is the foundation upon which cross-cultural competence and understanding can be built, and as such it pervades all the facilitating factors to some degree. (Buckley et al. 2006, 281.)

Once managers become aware of carrying a "mental software", they can facilitate knowledge flows by accumulating cross-cultural knowledge, or a shared identity (Hofstede 2005, 359). Whilst tacit knowledge is absorbed within the minds of individuals, the transfer and diffusion of such knowledge within the boundaries of an organisation is frequently enhanced by shared characteristics and similar areas of expertise held by the individuals involved (Davenport & Prusak 1998, 98); the *shared identity* of an organisation's employees can facilitate tacit knowledge flows and organisational learning, as it effectively lowers the cost of communication and the fear of opportunism, and defines rules, norms and values by which individuals coordinate their actions and learning processes. (Buckley et al. 2006, 282; Kogut & Zander 1996, 502–503; Bogenrieder & Nooteboom 2002, 2; Phene et al. 2005, 56.) Interactions thus are likely to flow more smoothly if different parties begin to consciously develop towards similar structures and processes; they are subject to an 'isomorphic pull' (Krogh, von & Roos 1996, 21). Shared identity thus refers to the shared values and the mutual understanding (arising from shared representations, interpretations, and systems of meaning) among parties (Li 2004, 22).

In the multinational context, however, the existence and significance of shared identity within an organisation is not entirely straightforward. Shared identity is based largely on social closeness, and might therefore be absent or underdeveloped in the relationships of dispersed organisational units, the cultural, physical and social differences of which impede the building of mutual trust and the ability of units to understand one another. (Kogut & Zander 1996, 503; 506; Bogenrieder & Noteboom

2002, 3.) Enhancing shared identity is particularly important in Sino-Western knowledge flows, wherein huge knowledge gaps often exist (Li & Scullion 2006, 83). The effective transfer of tacit knowledge across distance therefore relies heavily on the establishment of a common understanding of concepts and of mutual trust (trust will be discussed in more detail in the next chapter). The bridging of the culture and knowledge gap between a Chinese and a Western manager must essentially draw from the knowledge and language that is shared – 'common knowledge' or 'common language' are therefore pivotal to allow for mutual understanding and communication (Li & Scullion 2006, 82) as they effectively enhance absorptive capacities (Li 2004, 22, 145).

Through the establishment of common perceptions and mutual expectations, shared identity acts in the manner of a bonding mechanism that enhances knowledge integration (Dinur et al. 2009, 435). It furthermore enables managers to better comprehend the value systems and social norms on which the other party's behaviour is based, encouraging trust in them. This, in turn, is likely to induce a feeling of belonging or commitment, thus increasing the intrinsic motivation to combine and share knowledge. (Li 2004, 22.) In addition, a shared identity and facilitated understanding enhances responsiveness to and appreciation of the other party's needs and initiatives, creating a conducive environment for knowledge transfer (Li 2004, 145). This 'common knowledge' or shared identity thus helps facilitate meaningful communication between the transfer parties by lowering cognitive, communicational, normative and attitudinal barriers to managerial knowledge transfers: it effectively lessens the detrimental effects of socio-cultural distance, which is highly significant in the knowledge transfer between parties from backgrounds as distant from each other as China and the West. (Li 2004, 22.)

'Common knowledge' is the intersection of the individual knowledge sets of the managers, and allows for the integration and understanding of such aspects of knowledge, which are *not* shared. The compatibility of transfer partners' cognitive and normative frameworks, or the establishment of a mutually compatible shared identity, is necessary to facilitate coordinated action between the two, which in turn is necessary for tacit knowledge transfer to occur (Li 2004, 145). Such common knowledge will develop naturally over time as a consequence of frequent and open interaction, as both parties obtain an understanding of, and an appreciation for, their partner's social context. Once this basic understanding is achieved, the managers can build upon it and together establish their own social norms and expectations of one another, thus making it easier for them to overcome barriers caused by socio-cultural distances. (Roberts 2000, 429-442.) To facilitate this natural process of building a shared identity, organisations or managers may also attempt to proactively support the creation of a shared identity. Improving each transferor's knowledge of the other's socio-institutional environment through training, for instance, can actively enhance these knowledge conjunctions. (Li

& Scullion 2006, 82–83.) Cognitive barriers to managerial knowledge transfers can be overcome only through the intensive building of interpersonal familiarity, affinity, and convergence in cognitive maps that is achieved through various *socialization mechanisms*. These mechanisms are built on the assumption that the openness of knowledge transfers between the parties can be improved by allowing them to get to know one another and create personal affinity. (Gupta & Govindarajan 2000, 479.) In addition to their effect on cognitive barriers to knowledge transfers, socialization mechanisms are further likely to increase trust and create *guanxi* between the managers, thus decreasing barriers resulting from normative distances.

In addition to developing a shared identity or language, knowledge transfers can furthermore be facilitated by the existence of shared goals or aspirations. Foos et al. (2006, 8) found that a shared vision of what is expected and how it can benefit both parties can improve effectiveness of knowledge integration, as well as providing a more open environment and lowering attitudinal barriers to transfer. Shared goals can therefore act as a bonding mechanism between individuals separated by contextual distances (Inkpen & Tsang 2005, 157).

6.2.3 The importance of trust-building activities for effective Sino-Western knowledge flows

Closely related to the concept of shared identity and pivotal to the effective transfer of managerial knowledge between Chinese and Western managers is the concept of *trust*. Elements of trust play a central role in any transfer of tacit knowledge forms, as it facilitates learning and reduces barriers (Huemer, Krogh, von & Roos 1998, 124). It is, however, of particular significance for interactions involving the collectivist Chinese, whose relationships in general are largely based upon trust-related *guanxi* (see chapter 5.3.1) (Möller & Svahn 2004, 224). Indeed, building trust is a precondition to any effective knowledge flows with a Chinese manager[15] (Möller & Svahn 2004, 224), and in the transfer of knowledge between two managers on the same hierarchical level, trust is in fact essential so as to ensure the functionality of the relationship (Buckley et al. 2006, 282). While open and rich interaction has been argued to support trust-building between two individuals, it is furthermore important to acknowledge the positive effect trust will inevitably have on the openness of interaction, as factors of uncertainty are removed from the situation and individuals will feel less inhibited to share their knowledge (Inkpen & Tsang 2005, 154; Li 2004, 22). It is therefore the interconnected

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[15] In Chinese Confucianism, trust is considered one of the key foundations of all interactions, and trust and sincerity are seen as central qualities for being human; the importance of trust thus spans all interpersonal interactions (Ramasamy et al. 2006, 133).

relationship between aspects of trust, *and* aspects of open and rich interaction, which exercises an influence on the effectiveness of managerial knowledge transfers.

Trust in itself is a complicated concept, built on the assumptions that relativistic factors of uncertainty and diversity affect human behaviour, and describing the commitment in something without an expectation of justification (Huemer et al. 1998, 125–127). Trust therefore is conceptualized as a confident expectation and goodwill, and expresses confidence in the trustee's reliability and integrity (Inkpen & Tsang 2005, 154; Li 2004, 141). The degree of trust can vary from very weak to passionate, a spectrum encompassing all forms of trust ranging from a calculative assessment of risks and utilitarian considerations of a person's trustworthy behaviour ('deterrence-based trust') to cognitive and emotional forms of trust, which develop through ongoing interaction ('knowledge-based trust') (Huemer et al. 1998, 125–127; cf. Gulati 1995). Different combinations of components and levels can therefore create different forms of trust. Essentially, however, trust can be defined as a mix of feeling and rational thinking related to a variety of cognitive and emotional aspects, based upon the perception of motives and abilities, and manifested through a variety of expectations. The practical significance of trust thus lies in the attitudes and behaviours it underwrites. (Huemer et al. 1998, 127.)

Combined with (and frequently a consequence of) shared identity, trust between two individuals indicates an ability to share a mutual understanding (Roberts 2000, 429-443), and has a facilitating effect on other determinants of performance or effectiveness, as it provides conditions under which specific behaviours are more likely to occur (Li 2004, 21). Trust has been argued to have a variety of beneficial functions for intercultural interactions, including the reduction of complexity and need for constant surveillance, production of positive attitudes, enhancement of commitment, and reduction of transaction costs, among many others (Huemer et al. 1998, 123). Several studies have identified this positive relationship between trust and knowledge transfer effectiveness: Tsai and Ghoshal (1998), for instance, demonstrated the enhancing effect trust has on intra-firm resource exchange and combination, whilst Tsai (2000) linked high degrees of trustworthiness to the effective exchange of idiosyncratic resources. Hence, trust levels shape interaction patterns, and influence the development of a shared identity, thus motivating individuals to contribute and combine resources (Li 2004, 21).

As was discussed in chapter 5.4, the Chinese are susceptible to an indisposition towards knowledge transfer resulting from a variety of factors. Similarly, some Chinese managers might express an unwillingness to accept knowledge from Western sources. Building trust is essential to reduce these barriers by reducing the levels of uncertainty and risk associated with tacit knowledge transfers, thus guaranteeing reliability. (Foos et al. 2006, 7; Möller & Svahn 2004, 224.) Researchers have argued that the influence of trust on tacit knowledge transfers is particularly pronounced in highly collectivist

cultures, as they put more emphasis on the nature and quality of interpersonal ties. Findings have also suggested a higher propensity to distrust amongst the collectivist societies, with an inherent disinclination to trust out-groups. (Li 2004, 144.) As the most essential component of *guanxi*, trust furthermore affects the willingness and openness of interaction; while high levels of trust will allow the Chinese manager to be a forthcoming and 'gentle' colleague, low levels of trust may render them a ruthless strategist, who is careful to guard their own knowledge (Ramasamy et al. 2006, 133). After all, the very nature of managerial knowledge renders it not amenable to enforcement by contract, and the effective transfer thereof relies ultimately on the trust and consequent willingness to transfer and absorb (Roberts 2000, 429-443). The significance of trust in collectivist societies is further emphasised by its role in the creation of common implicit perspectives, which in turn are central to the transfer of tacit knowledge (Bhagat et al. 2002, 214).

Building trust between a Chinese and a Western manager is, however, a relatively complex process in itself, and requires considerable understanding of the other's socio-cultural influences. Accordingly, Westerners would be ill advised to approach the challenge through mere eagerness, aggressiveness or outcome orientation (characteristics generally associated with effectiveness in the West), but instead ought to balance these by long-termness, coordination and people-orientation in the process of trust building. The Chinese culture puts considerable emphasis on trust in social interactions, but appreciates it only when nurtured through long-term engagement. Otherwise, barriers resulting from *guanxi* or *mianzi* could obstruct the development of a trustful relationship. (Buckley et al. 2006, 277, 285.) Thus, the trust-building process itself faces the very barriers it is expected to overcome, and cannot be achieved before both managers are aware of socio-cultural influences on their behaviour, and have developed some common knowledge. While Westerners (as out-group members) face numerous barriers to developing trust, the achievement thereof similarly holds more significance in Sino-Western knowledge transfers than in less heterogenic relationships (Li 2004, 144).

6.2.4 *The influence and interplay of facilitating factors in Sino-Western managerial knowledge flows*

As was mentioned earlier, it is impossible to entirely detach any specific methods or actions to counteract cognitive and psychological barriers to knowledge transfers from their unique contextual influences (Jensen & Szulanski 2004, 510). The various mitigating factors discussed above therefore merely represent those factors, which are common and relevant to all Sino-Western managerial knowledge transfers. The

relationship between cognitive and psychological barriers to Sino-Western managerial knowledge transfers, and the alleviating factors discussed in this chapter, is relatively intricate – the effects of facilitating factors on the knowledge transfer process between Chinese and Western managers are presented in the following table.

Table 11   The effects of facilitating factors on Sino-Western knowledge transfers

Facilitating factor	How does it affect knowledge transfers / what barrier(s) does it mitigate	Significance in Sino-Western context
Richness and openness of interaction	Source of socio-cultural information on the other party → facilitates sensitivity and understanding of cultural differences (cross-cultural awareness) – prerequisite for developing shared identity and trust	Rich and open interaction particularly important, as China's *guanxi*-based system requires multi-layered communication to allow for trust and commitment to develop.
Shared identity	Defines rules and norms by which transferors coordinate their interactions → lowers cognitive barriers (1 & 2) by defining interpretations and conceptualizations used → creates a common language (3) → lowers normative barriers by defining norms regarding e.g. respective positions in social hierarchies and memberships (5 & 6) and rules and schedules (7) → lowers attitudinal barriers (9 & 10) by inducing feelings of belonging and commitment, and by defining shared goals → enhances *willingness* and *capacity* to transfer/learn **(disseminative & absorptive capacities***)**	Due to the existence of huge knowledge gaps and incompatibilities of cognitive and normative frameworks, development of a shared identity is essential for Sino-Western knowledge flows. Shared identity also creates a common "group" for the transferors, thus overcoming the Chinese disinclination to share knowledge with "outsiders".
Trust	Enhances conditions for the development of a shared identity by removing motivational obstacles → lowers attitudinal barriers (9 & 10) by removing factors of uncertainty regarding transfer partner's reliability and integrity → enhances *willingness* to transfer/learn **(disseminative & absorptive capacities***)**	Sino-Western tacit knowledge flows depend on the development of trust-based *guanxi*. Trust is furthermore pivotal in lowering motivational indispositions typical of Chinese managers in knowledge transfers with Westerners.

As illustrated in Table 11, the effects of richness and openness of interaction, shared identity, and trust on overall knowledge transfer effectiveness emerge from the manner in which they alleviate the impeding effects of cognitive, normative, and attitudinal barriers. The purpose of moderating the richness and openness of interaction is to support and enable the development and facilitation of shared identity and trust; the significance of these, in turn, lies in their role as social mechanisms with the ability to enhance certain conditions necessary for effective knowledge transfer to occur (Li 2004, 152). Indeed, the development of a shared identity or a common language is, by definition, directly correlated to the bridging of cognitive, normative and attitudinal barriers to managerial knowledge transfers. It helps the managers understand each

other's cognitive frameworks, and evades the linguistic and cognitive incompatibilities by establishing a mutually comprehensible and accepted manner of perceiving and communicating. Similarly, a well-developed shared identity allows managers to understand underlying value systems, enabling managers to avoid projecting their own norms and values on the other. Thus, shared identity creates an *awareness* of the socio-cultural distances between the managers, and thereby helps both parties to understand and cooperate effectively. The importance of developing a shared identity in Sino-Western managerial knowledge transfers has been stressed in numerous studies (e.g. Hofstede 2004; Li 2004; Buckley et al. 2006), because the extreme socio-cultural distance between these two nations makes it highly difficult to avoid misunderstandings or misperceptions. By bridging the distance, the development of a shared identity furthermore increases intrinsic motivation to share and accept knowledge, thus lowering attitudinal barriers. Attitudinal barriers might alternatively be lowered through shared goals, thus providing incentive and motivation to cooperate despite difficulties.

Developing a shared identity further enhances the levels of trust between the Chinese and the Western managers. Knowledge management research has identified trust as a focal determinant for knowledge transfers between the Chinese and the Westerners; traditionally distrusting of out-groups, and highly reliant on the relationship-based *guanxi* system, the Chinese place trust at the epitome of successful interactions. By establishing a makeshift in-group, a shared identity might allow the Western manager to get around the normative distances and overcome attitudinal barriers erected against knowledge transfers with 'outsiders'. (Hutching & Michailova 2004, 88.) Less directly, this can also be achieved through open and rich interaction, as a consequence of which trust is steadily built up. Conversely, trust between two individuals (enhanced, for instance, through a shared identity), is likely to facilitate future interactions between them, thus opening up communication and creating more trust and common knowledge.

The influence of facilitating factors on individual transfer barriers is therefore by no means unambiguous. All factors have either direct or indirect impact on several of the barriers, and these influences are further complicated by the interrelatedness of the facilitating factors themselves. After all, moderating the richness and openness of interaction derives its significance from the impact it has on the development of both a shared identity and trust. The factors of shared identity and trust, on the other hand, are deeply intertwined and support and enhance each other, while the development of trust can furthermore be expected to enhance the quality and frequency of interactions. These various interrelationships, as well as their effects on transfer barriers, are illustrated in Figure 13 below.

| BARRIERS TO SINO-WESTERN MANAGERIAL KNOWLEDGE TRANSFERS | FACTORS ALLEVIATING BARRIERS TO KNOWLEDGE TRANSFERS |

Cognitive and communicational barriers

Normative barriers
- Individualism / collectivism and *guanxi*
- Power distances and hierarchy
- Uncertainty avoidance & time

Attitudinal barriers

Moderating richness and openness of communication

Shared identity and common language

Trust

Shared goals

Figure 13   The interrelated effects of factors mitigating the effects of cognitive and psychological barriers to Sino-Western knowledge transfers

As evident from Figure 13, it is the attitudinal barriers to Sino-Western knowledge transfers, which can best be influenced through alleviating factors. Both cognitive and normative barriers are products of such deeply ingrained socio-cultural behavioural patterns, that it is extremely difficult, if not impossible, to significantly reduce these. They can be influenced only through multifaceted awareness of these differences, and long-term exposure to alternative cognitive and normative systems and frameworks. It is thus a complicated and exhausting process of reconditioning a person's social understanding of perceptions and evaluations, and cannot be expected to assume a prevalent role in the approach to lessening barriers to knowledge transfers. Attitudinal barriers, on the other hand, are less deeply embedded within a person's behaviours, and can therefore more readily be influenced by mitigating factors. (De Long & Fahey 2000, 115).

Ultimately, the interaction between cognitive, normative and attitudinal barriers to managerial knowledge transfers, and the various factors mitigating the effects of these, together determine the effectiveness of the knowledge flow, as discussed next.

7 CONCLUSIONS

Organisations have in recent years come to appreciate the importance of implicit forms of knowledge as constituents of lasting competitive advantage. In their attempts to disseminate extant knowledge within organizational boundaries, however, they have encountered severe hindrances and obstacles once knowledge transfers cross national, and – more significantly still – cultural borders. The purpose of this study was to analyse and conceptualise the effects of significant socio-cultural differences between knowledge transferors on dyadic intra-firm transfers of managerial knowledge. As the specific influences of socio-cultural distances on interpersonal behaviour are entirely dependent on the individuals in question, and their respective socio-cultural backgrounds, it was deemed necessary to set the conceptual analysis of cross-cultural managerial knowledge transfers and related barriers into a particular contextual setting. Knowledge transfer barriers and possible mitigating factors were therefore examined specifically in the case of Sino-Western knowledge transfers (i.e. managerial knowledge transfers between a Chinese and a Western manager within the same organisation). This analysis was based on an exhaustive synthesis of extant studies on Sino-Western knowledge flows. The ultimate aim of the study was to draw up a conceptual framework of Sino-Western managerial knowledge flows, and factors influencing their effectiveness. This framework and its contributions to extant theoretical literature will be discussed next, before presenting the managerial implications of the study as a whole, and suggesting further research directions.

7.1 A conceptual framework of the effects of socio-cultural distances on Sino-Western transfers of tacit managerial knowledge

The transfer of managerial knowledge between two managers of very different socio-cultural origins was found to be a highly intricate matter. Indeed, the highly tacit nature of both systemic and strategic forms of managerial knowledge renders them very difficult to transfer even in the absence of socio-cultural incompatibilities. Socio-cultural distances were found to add significantly to these difficulties, as they impede the effective interpersonal interactions between two managers, and these interactions are at the very core of ensuring effective tacit knowledge transfers. Extensive socio-cultural distances between two managers were found to erect a number of different cognitive and psychological barriers, which in turn reduce knowledge transfer effectiveness. The influences of socio-cultural distances between Chinese and Western managers on the effectiveness of managerial knowledge flows, as well as their elaborate interrelationships, are presented in the framework below (Figure 14).

KNOWLEDGE FLOW

Knowledge Conversion

Initiation | Acquisition | Transformation | Association | Implementation

Disseminative Capacity

Absorptive Capacity

Tacit **To** Explicit

	Tacit	Socialization	Externalization
From			
	Explicit	Internalization	Combination

Western Socio-Cultural Context

Manager A

Chinese Socio-Cultural Context

Manager B

Absorptive Capacity

Disseminative Capacity

Knowledge Conversion

Implementation | Association | Transformation | Acquisition | Initiation

KNOWLEDGE FLOW

COGNITIVE & PSYCHOLOGICAL BARRIERS

COGNITIVE/COMMUNICATIONAL BARRIERS	CHINA-WEST
1. Differences in perceptions/interpretations	Context-specific vs. content-specific
2. Different underlying social schemas	Holistic vs. analytical thinking
3. No common language	Strong linguistic differences
4. Semantic barriers	High-context vs. low-context

NORMATIVE BARRIERS	CHINA-WEST
5. Differences in power distance levels	Authority vs. compromise
6. Differences in individualism/collectivism	Particularism vs. universalism; guanxi
7. Differences in uncertainty avoidance level	Perceptions of time/rules
8. Misalignment of message/mechanism with recipient values	Teaching vs. self-study

ATTITUDINAL BARRIERS	CHINA-WEST
9. Invented Here syndrome	Chinese tendency to hoard knowledge
10. Not Invented Here Syndrome	SOE mentality

FACTORS ALLEVIATING BARRIERS TO KNOWLEDGE TRANSFERS

Moderating richness and openness of communication
• Source of socio-cultural information, prerequisite to building trust and shared identity

Shared Identity
• Defines common rules, norms, interpretation frames and language by which transferors coordinate their interactions

Trust
• Enhances conditions under which knowledge transfers occur and shared identities develop
• Alleviates motivational indisposition to transfer

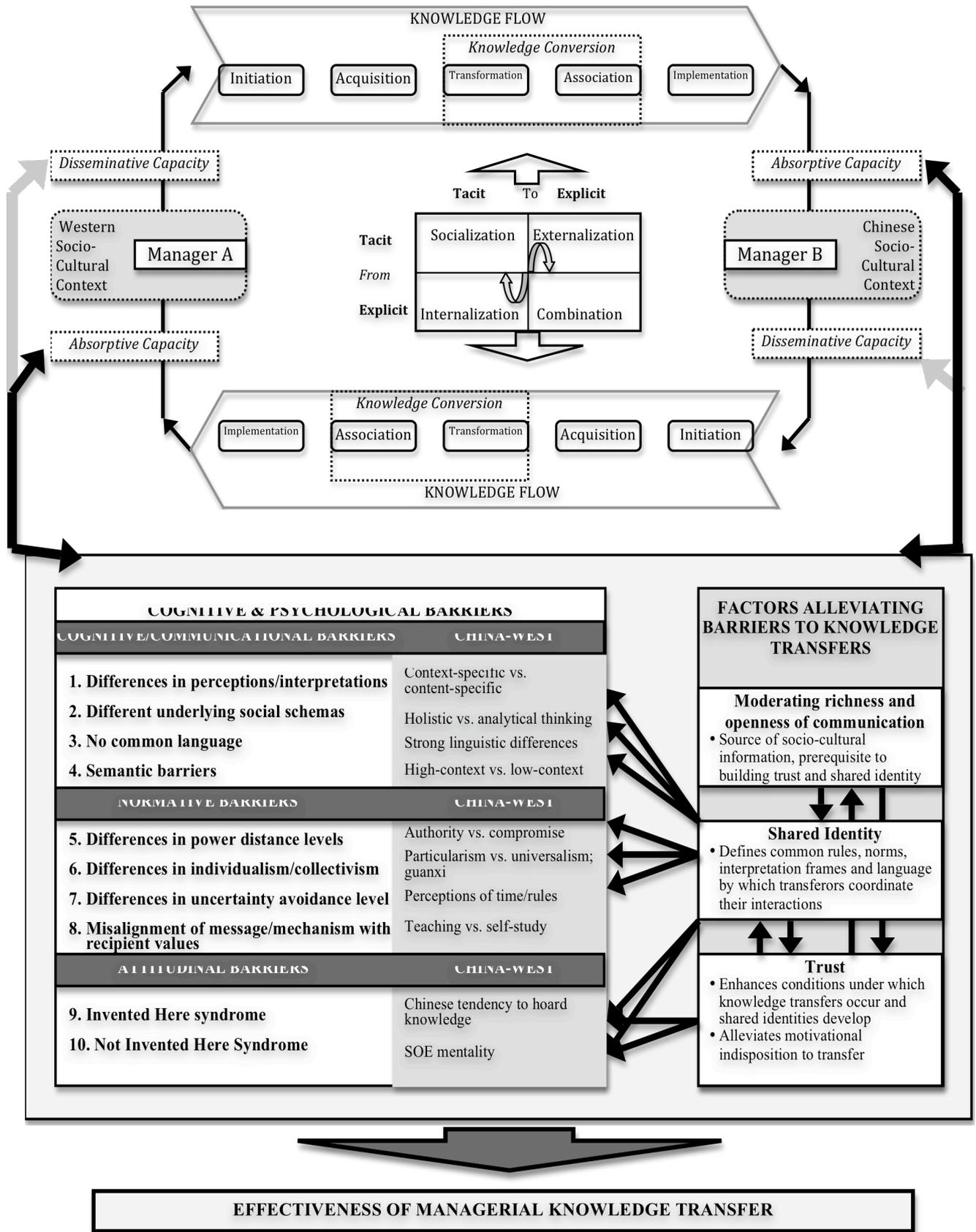**EFFECTIVENESS OF MANAGERIAL KNOWLEDGE TRANSFER**

Figure 14　　Framework of the effects of socio-cultural distance on Sino-Western managerial knowledge flows

The figure above depicts the various stages and interdependencies within the transfer process of managerial knowledge between Chinese and Western managers. Ultimately, the effectiveness of such a transfer depends on factors including the various stages of the transfer process itself; external influences; and the manner in which these are dealt with.

The specific nature of a transfer process, and the range of barriers affecting it, essentially depends on the transfer mechanism applied. After all, it is the mechanism that determines the frequency and quality of interactions, which in turn represent the foundations of the entire transfer process. As tacit knowledge forms cannot be properly articulated, all managerial knowledge transfer mechanisms are essentially based on actual face-to-face communication, and can involve a variety of work or leisure related interpersonal interactions. In all mechanisms applicable for the transfer of managerial knowledge, the transfer is in fact a dyadic process, in which both parties act as both senders and recipients of knowledge. This has been largely ignored in previous studies (e.g. Minabaeva 2007; Chini 2005), which have frequently portrayed the transfer process as a very simplistic one-directional and one-dimensional "movement" of knowledge from source to recipient. A thorough analysis of these transfer processes, however, indicates that tacit knowledge transfers occur only as a consequence of mutual involvement and participation, and that tacit knowledge thus moves simultaneously to and from each transferor. Furthermore, the transfer of tacit forms of knowledge is a decidedly abstract and rarely conscious or expedient process; accordingly, tacit knowledge transfers arise as a by-product of dyadic information and communication flows, and are therefore nearly impossible to pin down or operationalise. The framework presented in this study expands previous conceptualisations of knowledge transfer determinants (e.g. Minbaeva 2007; Lucas 2006) to take into account the uninterrupted flow of knowledge between two managers; in Figure 14, this is illustrated by the cyclic structure of the knowledge transfer process between the Western and the Chinese manager. Managerial knowledge transfers are therefore relatively abstract mutual sharing processes between two managers, and although their interactions might be motivated entirely by the need for knowledge transfer, this cannot be enforced through technical or operational transfer techniques.

While their intangible nature makes it difficult to conceptualise or differentiate between the different stages of tacit knowledge transfers, Figure 14 nonetheless divides the transfer process into sections in order to allow a more thorough analysis. Due to its tacit nature, managerial knowledge is deeply embedded within a manager's knowledge base. It can therefore not simply be extracted and transferred – even if it could, it would be unlikely to be applicable and useful as such to any other manager. Accordingly, managerial knowledge must be removed or extracted from the context within which it resides, and converted carefully so as to create a fit between the knowledge and its new

context (i.e. the knowledge base of the other manager). Although numerous studies have recognised the fact that tacit knowledge cannot be transferred as it is, its intangible nature has hitherto prompted most researchers to ignore the specifics of the transfer process altogether (e.g. Inkpen & Tsang 2005). In order to address this dearth of conceptualisations, various different procedural models were analysed and synthesised into a comprehensive illustration of the tacit knowledge conversion and application process. This conversion process was found to be at the very heart of tacit knowledge transfers. It is a highly intricate and abstract process by which knowledge is expressed and processed in different ways so as to extract and convey ultimately relevant pieces of information, and allow the other manager to internalise know-how that is relevant and useful to them. Knowledge is therefore extracted from one context, and associated to another. Nonaka & Takeuchi's (1995) classic model of knowledge conversion aptly identifies the various phases of the knowledge conversion process (i.e. socialization, externalization, combination and internalization), and was integrated into the framework to illustrate the spiralling process of knowledge transformation and association, which drives the transfer of knowledge between the managers.

In reality, however, knowledge does not flow freely between individuals, and the degree to which managers engage in the knowledge transfer process depends on their absorptive and disseminative capacities. Individual knowledge resources are protected by a person's disseminative capacity, determining their willingness and capability to transfer; and absorptive capacity, determining intent and capability to absorb and incorporate new knowledge. As tacit knowledge transfers cannot be enforced, and therefore rely entirely on the participation of the transferors, it is the disseminative and absorptive capacities which ultimately determine the effectiveness of the entire process. After all, without both transferors' motivation and ability to transfer and absorb knowledge, there is no possibility for a successful transfer outcome. The levels to which both parties are capable of disseminating and absorbing knowledge thus affect transfer effectiveness throughout the entire process. In Figure 14, this focal role is illustrated by positioning the concepts of disseminative and absorptive outcomes around the knowledge transferors, as the starting and ending points of the transfer processes. In fact, these capacities determine the effectiveness of every individual stage of the transfer process, and thus represent the single most important variable in analysing transfer effectiveness in different contextual settings.

The specific focus of this study was on the effects of socio-cultural distances between the two transferors on the transfer process of tacit managerial knowledge. Although numerous studies have analysed the impact of contextual differences and variables on knowledge transfers between individuals (e.g. Bhagat et al. 2002; Li & Scullion 2006), this study is amongst the first to thoroughly integrate conceptualisations of contextual influences with those of the tacit knowledge transfer process.

Accordingly, socio-cultural influences can be analysed through the effect they have on the transferors' disseminative and absorptive capacities and, consequently, the effectiveness of the entire transfer process. The link between the socio-cultural backgrounds of the managers and disseminative and absorptive capacities arises from the fact that human behaviour is heavily determined by socially ingrained cultural values, norms, and cognitions; their socio-cultural set-up influences the way in which individuals perceive, interpret, analyse, and evaluate knowledge. An individual's capacity and willingness to disseminate and absorb knowledge, on the other hand, is a function of their perception of the value of the knowledge and the reliability of the other transfer party; their capability to understand and transmit knowledge; and their overall motivation to do so. Socio-cultural backgrounds thus determine both the motivation, and the ability of an individual to engage in tacit knowledge transfers.

The degree to which individual cultural backgrounds influence the overall effectiveness of tacit knowledge transfers depends on the socio-cultural distance between the two transferors. Socio-cultural distances can affect these disseminative and absorptive capacities through the erection of various cognitive and psychological barriers – these barriers are erected by the individuals transferring the knowledge in response to differences in how they perceive and make sense of their environments, and resultant attitudes. Such barriers were vaguely identified in numerous studies (e.g. Dinur et al. 2009; Li & Scullion 2006; Riege 2006; Vihakara 2006), although very few have compiled and categorised different kinds of barriers, and no comprehensive compilation had hitherto been devised. This study attempted to synthesise extant research findings in order to identify such specific barriers, which are likely to influence the transfer of tacit knowledge over socio-cultural distances. The barriers identified were categorised into cognitive and linguistic barriers (i.e. making it difficult to understand or communicate knowledge), normative barriers (i.e. making it difficult to accept or understand knowledge), and attitudinal barriers (i.e. reducing motivation to engage in knowledge transfer). Through their influence on disseminative and absorptive capacities, these barriers affect the entire tacit knowledge transfer process. Whilst some barriers exercise substantial influence on the effectiveness of the early initiation phase (examples of such barriers are the Invented Here Syndrome, and differences in perceptions), others influence the entire transfer process (for instance differences in power distance or uncertainty avoidance levels). The vast majority of barriers, however, had an impact specifically on the knowledge conversion phase, evidencing the vulnerability of this crucial phase to contextual influences. This vulnerability is evidently due to the fact that the knowledge conversion process is entirely dependent on the successful and effective interaction between the transferors; accordingly, any persistent barriers can severely impede the transformation and association of tacit knowledge.

In order to examine these barriers more specifically, they were analysed in the case of Sino-Western managerial knowledge transfers, as the socio-cultural distance between China and the West has been considered exceptionally high. Indeed, the study identifies numerous barriers to Sino-Western knowledge transfers, representing all of the aforementioned three categories (see Figure 14). Accordingly, the transfer of managerial knowledge between Western and Chinese managers can be expected to involve extensive misunderstandings, misperceptions, or outright lack of motivation to cooperate and transfer knowledge. The specific differences between the contextual variables of Western and Chinese cultures furthermore suggested that the latter creates more barriers to knowledge transfers, as it is more concerned with the creation and upkeep of interpersonal relationships than with the sporadic personal benefits of uncommitted knowledge sharing – Chinese managers are thus likely to be particularly problematic transfer partners for their Western counterparts.

The contextual barriers were found to reduce both the disseminative and absorptive capacities of managers, thus directly reducing the effectiveness of the managerial knowledge flows. However, the effects of such barriers on absorptive capacities were discovered to be considerably more significant than their effects on disseminative capacities. Indeed, insufficient absorptive capacity was identified as the most common obstacle to effective tacit knowledge transfers. This is due to the fact that the respective socio-cultural set-up of both transferors directly affects their ability and intent to transfer knowledge with each other, whereas the effects on disseminative capacities are limited to the willingness to transfer (as capacity is relatively unrelated to respective socio-cultural distances). The disproportionately high effects of socio-cultural distances on absorptive capacities are illustrated in Figure 14 by darker arrows linking the concepts.

Whilst cognitive and psychological barriers resulting from socio-cultural distances between the transferors were identified as significant determinants of the disseminative and absorptive capacities of Chinese and Western managers, studies furthermore identified a variety of factors which counteract the negative influence of specific barriers. As the nature of the barriers is directly dependent on the specific socio-cultural backgrounds of transferors, so must the mitigating factors be – after all, their purpose is to counteract these specific barriers. The most important mitigating factors for Sino-Western knowledge transfers were identified to be rich and open interaction, trust, and the development of a "shared identity", i.e. common knowledge. Intricately intertwined, these factors derive their significance from the manner in which they lessen the influence of the aforementioned barriers. Despite bridging the socio-cultural distances between the transferors, however, these factors cannot be considered particularly effective, as they require considerable effort, and affect mainly the attitudinal barriers. Indeed, whilst a shared identity may establish make-shift familiarity in terms of

cognition and values, underlying differences are unlikely to be reduced by any other means than prolonged cross-cultural exposure.

The effectiveness of managerial knowledge transfers across socio-cultural distances can therefore be influenced by a number of factors, the significance of which pertains to their interrelationships with disseminative and absorptive capacities. The theoretical contributions of the framework above arise from its comprehensive presentation of the various determinants of effective managerial knowledge transfers over socio-cultural distance. Indeed, these relationships have not been presented before in related academic literature, although they represent the very core of all discussion on these topics. Whilst extant theories limit themselves either to the discussion of the significance of knowledge and its transfer, or to the discussion of cultural factors affecting international interactions separately, the intricate micro-level interplay of these concepts has thus far been largely left out. By linking socio-cultural influences with the concepts of absorptive and disseminative capacities, the framework bridges the separation between various related discussions on the topic, thus providing a comprehensive frame through which interrelated yet distinct factors of cross-border managerial knowledge transfer can be analysed. This, in turn, helps develop an aggregate and complete understanding of such transfers by establishing links between different approaches.

Furthermore, the framework presented here proposes significant changes to the frequent conceptualisation of knowledge transfers as a relatively mechanical and measurable process, which can be removed from its contexts and universalised in order to improve corporate efficiencies and transfers of best practices across borders. A thorough analysis of these transfers in this study has in fact evidenced the contextual embeddedness of such transfers, thus suggesting considerable improvements to theoretical discussions. Indeed, removing them from their actual contexts in theoretical discussions can be expected to skew the findings significantly, as managerial knowledge transfers are essentially context-bound processes. In addition to the above, the framework contributes to theoretical discussion by proposing a modification of the present tendency to view managerial knowledge transfers as one-directional. It is argued here, that these processes can in fact not be fully broken down into individual transfers, but arise as the by-product of continuous mutual conversing and interaction. It is therefore an essentially dyadic and cyclic process, through which knowledge sharing gradually evolves.

The study furthermore synthesises various discussions about socio-cultural distances and the barriers they cause in knowledge transfers. The categorisation of various barriers creates a manageable and comprehensible unification of the different terms and concepts used in academic literature. While extant literature of such barriers is relatively abundant, spanning a number of different fields, these studies use a wide variation in terminology and categorisation, rendering it difficult to perceive commonalities and

differences. Unifying these dispersed concepts and findings allows for a clear evaluation of the nature and effects of these barriers.

Finally, the framework contributes significantly to the lively discussion of Sino-Western knowledge flows in academic literature. Indeed, following China's expeditious entry into the international business community, these flows and their specific characteristics have attracted considerable attention in academia in general, and the field of international business in particular. Whilst various disparate accounts exist on the difficulties of Sino-Western negotiation, cooperation, and communication, this study provides an insight into the reasons behind, and the implications of, such difficulties. Categorising and synthesising previous findings, the study presents a conceptualisation of extant barriers, and explains why they exist, as well as how they affect managerial knowledge transfers, and how they could be alleviated. The framework therefore represents a significant contribution to the discussion of hurdles to interaction in the Sino-Western context.

7.2   Managerial implications

While the study emphasised the development of current theoretical discussion, there are nonetheless various managerial implications to be drawn from its findings. Most importantly, multinational organisations need to be aware of the influence of non-geographical dimensions of distance on the effectiveness of knowledge dissemination across its various foreign subsidiaries. They must furthermore understand and be sensitive to the various barriers these distances can cause, in order to develop ways of overcoming them. The framework developed provides a comprehensive tool for managers to understand and identify barriers in Sino-Western knowledge flows, and consequently facilitate the exchange of knowledge.

To facilitate the dissemination of knowledge within an organization, practitioners need to bridge the contextual distance between the parties involved. If knowledge is to be transferred between individuals of very different socio-cultural origins, it is imperative to minimize the impeding influence such differences have on the transfer process. This can be attempted either through the addressing of the differences themselves, or – more readily -, by lessening the effect these differences have on transfer effectiveness. Consequently, managers could for instance seek to develop a shared identity in order to artificially create a situation in which the distance between the individuals in that particular setting is reduced. Similarly, MNCs should be aware of the limitations of individuals' knowledge base and offer various training programmes in order to create common knowledge, or to increase cross-cultural awareness amongst managers. Once awareness is established, the effect of cognitive and normative barriers

would lessen as managers can understand the impact of the cultural background on behaviour and consciously try to limit its influence on knowledge transfer. In addition, MNCs should encourage the accumulation of cross-cultural understanding through expatriation or work rotation, for instance.

In the Sino-Western context specifically, practitioners should be aware of the severe socio-cultural differences present. In terms of the normative and cognitive schemas and frameworks upon which they are based, the Western and Chinese cultures can be considered almost complete opposites of one another. This finding has important implications for Sino-Western interactions, as the risk of misunderstandings or miscommunication is exceptionally high. Indeed, numerous studies have reported severe inefficiencies in Sino-Western interactions as individuals fail to understand each other, unintentionally insult, or express a disinclination to cooperate. Awareness of the specific barriers to Sino-Western managerial knowledge transfers, as well as their role in the transfer process, would offer managers an opportunity to consciously review communication flows with reference to their underlying assumptions and perceptions. While this would not suffice to overcome these barriers, it nevertheless establishes the foundation of understanding upon which a shared identity can be built. By understanding the complex interplay between the various influences on knowledge transfer effectiveness, managers can thus learn to avoid pitfalls, anticipate conflicts, and, consequently, achieve significant synergies and facilitate knowledge flows.

7.3   Suggestions for future research directions

The framework presented in this study offers a valuable starting point for future empirical research. While it is grounded in the findings of empirical studies, no first-hand empirical data was collected specifically for the study at hand – it is useful mainly because it offers theoretical insight into the interrelationships of determinants of managerial knowledge transfers, a perspective that has hitherto been neglected in literature. This calls for future research to support the validity of the conceptual framework. The conceptualization of factors influencing managerial knowledge transfers across socio-cultural distance in this study has hopefully paved the way for such studies.

Whilst all conclusions drawn are based on an extensive literature analysis, it became evident that there is a relatively limited availability of research on methods or techniques through which transfer barriers could be overcome. Indeed, apart from some highly abstract suggestions, there seem to be no studies on how to facilitate managerial knowledge transfers. Thus, this should be a fruitful area for future research.

Research is also needed on the evolution of cultures over time, and the effects of this on present conceptualizations. It is acknowledged that countries and their cultures do not remain stagnant, but are likely to adopt foreign values or concepts over time. Considering the relatively recent entry of China into the world economy, it is very well conceivable that China's institutional and cultural set-up will adopt even more alien influences than other countries. Such changes will naturally have an effect on the transfer of knowledge, and need to be researched.

8   SUMMARY

The transfer and dissemination of managerial knowledge throughout their geographically dispersed organisational network epitomises the competitive strength of multinational corporations. Implicit forms of knowledge, however, are highly context-dependent, and thus face severe impediments if they are to be transferred across significant contextual distances. The purpose of this study was to explore and conceptualise the effects of socio-cultural distances on the effectiveness of intra-firm managerial knowledge transfers between Chinese and Western managers.

The study adopts a concept analytical and theoretical approach to identifying and conceptualising the different determinants of managerial knowledge transfers, in order to establish their interrelationships with various barriers and facilitators. Through exhaustive literature analysis and synthesis, the study reviews and clarifies the main concepts of tacit knowledge transfers and related cognitive and psychological barriers, before applying these to the Sino-Western context. Extant research findings on Sino-Western managerial knowledge transfers are synthesised and categorised, and the main results are subsequently presented in the form of a conceptual framework.

Discussing managerial knowledge transfers, it is first necessary to conceptualise the terms used. Tacit forms of knowledge, such as managerial knowledge, are deeply embedded within their specific context, and therefore difficult to identify, extract, or transfer. Indeed, tacit knowledge transfers cannot be articulated fully, and must therefore be transferred through intensive interpersonal interaction. The transfer process of tacit knowledge revolves around attempting to extract it from its previous context through a spiral of knowledge conversion, before associating it again with its new context. The process is highly abstract, and the effectiveness of such transfers can only be evaluated by examining the changes they have induced in the recipient's knowledge base, and the consequent actions undertaken.

The effectiveness of tacit knowledge transfers depends on the capacity and willingness of both source and recipient unit to transfer and absorb knowledge. Considerable socio-cultural differences between the two transferors, however, are likely to create barriers to the capacity to understand, and the intent to acquire or provide knowledge. These barriers are cognitive and psychological in nature, and can be categorised into cognitive, normative, and attitudinal barriers.

The socio-cultural distance between China and the West is exceptionally large, and – accordingly – several barriers impede the effectiveness of managerial knowledge transfers between them. The above-mentioned three categories can in fact be expanded to include a variety of factors in Sino-Western knowledge flows. *Cognitive barriers* arise from the distances between Chinese holistic ways of thinking, and the Western

analytical cognition, as well as from communicational barriers, notably the significance of face practices in China. *Normative barriers*, on the other hand, take the form of differences between the individualistic West and collectivist China and the role of guanxi; the horizontal social structure of the West and the vertical and hierarchical China; and the monochronic perception of time in the West versus the polychronic understanding in China. Finally, *attitudinal barriers* arise mainly from historical and political pressures, as well as from the above other barriers.

Whilst these barriers affect both transfer parties, they are particularly significant impediments of the ability and intent to acquire knowledge. The implications of such barriers are evident, as they can severely impede the degree to which managerial knowledge can be disseminated between Chinese and Western units. In order to mitigate these barriers, organisations and managers must attempt to counteract their impact. The most elementary ways of doing so are to moderate the richness and openness of interaction; to develop a shared identity or a common language; and to create mutual trust between the transferors. Socio-cultural influences affect behaviour on a very basic level, however, making it highly difficult to have a noticeable impact on them without extensive cross-cultural exposure. Indeed, of the above mitigating factors, all but one (shared identity) affect solely the attitudinal barriers, which are much less deeply ingrained in behaviour than the cognitive or normative barriers.

These mitigating factors are furthermore all interdependent, and exercise considerable influence on each other; whereas the quality of interaction is likely to create both trust and cross-cultural awareness (a building block of shared identity), for instance, trust is equally likely to facilitate the openness and richness of interaction, as well as the establishment of shared identities. The interdependent relationships between determinants of tacit knowledge transfers, barriers impeding their effectiveness, and factors counteracting these barriers, ultimately determine the effectiveness of Sino-Western knowledge flows. Understanding the barriers created by socio-cultural distances allows managers to become aware of their harmful effects, and try to mitigate them in order to facilitate these knowledge flows. Indeed, it is crucial for practitioners to comprehend the complexities involved not only in the transfer of tacit forms of knowledge in general, but in the specific socio-cultural distances of consequent relationships between individuals of different origins. Awareness, after all, is the most important quality of a successful cross-cultural manager, as it provides the foundation for effective communication and interaction.

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APPENDIX 1   SUMMARY OF PREVIOUS STUDIES

Author(s) / Year	Aim	Main Findings	Research approach
Buckley, Carter, Clegg & Tan (2005)	To establish relevance of common language and social knowledge in foreign KT to China	KT more effective when social and technical knowledge transferred together. Rich person-to-person contact effective means of transferring social knowledge	Qualitative / case studies
Buckley, Clegg & Tan (2006)	To examine cultural awareness in KT to China	Effective knowledge flows requires foreign investors in China to be aware of guanxi and mianzi and use them to build trust	Qualitative / case studies
Cardon (2009)	To identify dominant face practices and related strategies in the Sino-Western context	The nature of face practices depends on the nature of the business relationship (horizontal or vertical insiders, outsiders)	Qualitative / interviews
Cardon & Scott (2003)	To identify face-related communication behaviours in China	The Chinese use various face-related communication strategies which Western businesspersons need to be aware of	Concept analytical
Chen, Sun & McQueen (2009)	To explore the impact of national culture on the structured KT from US to China	Knowledge tacitness, gaps, cultural & communication difficulties and weak relationship critical barriers to cross-culture KT	Qualitative / case study
Easterby-Smith, Malina & Yuan (1995)	To explore the degree to which HRM is culture sensitive (compare Chinese and UK companies)	There are considerable differences particularly between countries, but much consistency within each country. Limited transferability of HRM	Concept analytical
Fan (1998)	To examine the transfer of Western management know-how to China, focusing on context, content and constraints	Transfers are influenced by environmental, organizational, cultural and behavioural factors and Western knowledge is often not compatible with the Chinese context	Concept analytical / Theoretical

Author(s) / Year	Aim	Main Findings	Research approach
Hong & Nguyen (2009)	To explore the influence of knowledge embeddedness on KT mechanisms e.g. in China	There are severe limitations to applying standardized set of KT mechanisms without considering local idiosyncrasies	Qualitative
Hutchings & Michailova (2004)	To analyse the role of personal networks and group membership in knowledge sharing in Chinese subsidiaries	Great cultural distance between the West and China induces barriers to knowledge sharing	Non-empirical
Li (2004)	To identify the impact of headquarter control mechanisms, subsidiary location, and social capital on KT between China and Finland	Social capital and subsidiary location have considerable influence on the quality and amount of KT	Mixed
Li & Scullion (2006)	To examine effects of key features of cross-border knowledge holders in China, and determine the dimensions of distance that separate them	Various geographical, institutional and cultural distances make it difficult for MNCs to generate value from geographically dispersed cross-border knowledge	Concept analytical
Möller & Svahn (2004)	To examine the influence of ethnic culture on knowledge sharing across East-West boundaries	Nature of cultures and type of network influence knowledge sharing barriers	Concept analytical
Qin, Ramburuth & Wang (2008)	To advance understanding of the interaction between cultural distance and subsidiary roles in the KT process in MNCs in China	The direction and magnitude of KT is related to subsidiary roles & influenced by cultural distance (negative impact if large cultural distance, as in e.g. China)	Qualitative / review-analysis & case study
Qing (2008)	Explore relativity of unique Chinese culture in KT	Ten propositions are demonstrated concerning how to facilitate knowledge flow with the mediation of cultural variations	Concept analytical
Ramasamy, Goh & Yeung (2006)	To explore the role of guanxi in knowledge management	Trust and communication are the two main channels of knowledge transfer	Quantitative / regression analysis

Author(s) / Year	Aim	Main Findings	Research approach
Schleimer & Riege (2009)	Examine how knowledge is transferred between identical, yet geographically distant units within an MNC (Europe & Asia).	Search for and transfer of knowledge depends on the applicability of context-specific knowledge rather than its complexity.	Qualitative / case study
Tsang (2001)	Examine host-country managerial learning in foreign-invested enterprises of China.	Managerial learning is influenced by both individual and organisational sources	Qualitative / case studies
Vihakara (2006)	To analyse managerial communication in a Sino-Finnish joint venture	Sino-Finnish joint ventures are prone to culture-related communicational problems	Qualitative
Wang-Cowham (2008)	Examine effect of individual factors on the transfer of HRM knowledge in Chinese subsidiaries of MNCs	Chinese HR managers have the ability of four factors (cultural difference &adaptability, language, working relationship, motivation) to facilitate HRM knowledge transfer.	Qualitative / interviews & exploratory data analysis
Wang, Tong & Koh (2004)	To describe KT from MNCs to their China subsidiaries	Effect of KT depends on parent's capacity & willingness to transfer and subsidiary's capacity & intent to acquire knowledge	Qualitative / interviews, observation
Wilkesmann, Fischer & Wilkesmann (2009)	Identify cultural characteristics in Germany and China that influence KT.	KT depends on national cultural characteristics of power distance, performance orientation, in-group collectivism & uncertainty avoidance.	Qualitative and exploratory / 13 interviews
Zhu (2009)	To analyze the collective experience of transferring management knowledge from the West to China	Cross-border transmission will be more effective if transferabilities are properly investigated, and mutual learning strategies and adapting are consciously pursued.	Concept analytical