

**Cognitive perspectives on transfer of quality enhancing practices  
within multinational corporations**

**The role of language**

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**Abstract**

The overall aim of this research project is to make a contribution to understanding of practice transfer within multinational corporations (MNCs). Practice transfer cannot be fully understood without examining the social interactions between people involved in knowledge sharing; also managerial cognition and natural languages have major consequences for transfer success. Taking the transfer of quality enhancing practices as an example, I will analyze to what extent MNC can replicate its practices in their subsidiaries, and how the cognitive aspects and language may affect this replication. The case study approach based on the socio-cognitive methodological paradigm will be employed, with in-depth interviews and diaries as main methods of analysis.

**Keywords:** social capital, practice transfer, quality enhancing practices, multinational corporation, language, cognition

## **1. Introduction**

By their very nature, multinational corporations are characterized by multiplicity and diversity of their external environments. The typical multinational corporation will have operations in multiple countries and as a result will face a variety of political, economic, legal and social, and cultural circumstances. Therefore, organizational practices may vary across countries since they are affected by the socio-cultural environmental in which they have evolved and are being used. Despite substantial research devoted to understanding of the transfer of organizational practices by multinational corporations, significant gaps remain in understanding of diffusion of specific practices.

My research aims to look at the issue of cognitive and language perspectives' impact on transfer of organizational practices within multinational corporations, particularly paying attention to those practices that are introduced in order to enhance quality. Current approaches to quality enhancing practices are based on belief that there is one best way to do business and that this approach can be transmitted without problems across different environments. This belief has resulted in the creation of universal models and systems that could be applied in any location to which the concept of Total Quality Management (TQM) is transferred. However, large differences in quality management have been found across countries and multinational corporations have recognized that implementation of quality practices internationally can be much more complex and difficult.

The main idea of my research is that managerial cognition and natural languages have major consequences for headquarters–subsidiary practice transfer success. I will analyze quality practice transfer within multinational corporations, focusing in particular, on to what extent such corporations can replicate headquarters' quality enhancing practices in their subsidiaries and how the cognitive aspects and language can influence this replication. I will address a critical question: how managerial cognition and language barrier may explain differing degrees in the transfer of quality practices in multinational corporation subsidiaries?

## **2. Theoretical foundations**

### **2.1. Transfer of organizational practices within MNCs**

The principal foundation of multinational corporations' sustainable competitive advantage lies in their ability to effectively transfer organizational knowledge and practices across dispersed units (Gupta and Govindarajan, 1991; 2000; Grant, 1996; Doz and Prahalad, 2001). Even though headquarters can make the decision to transfer a particular practice to its subsidiary,

this decision does not automatically mean that such a practice will actually be introduced and sustained by the recipient subsidiary. The literature provides plenty of evidence that transfers of organizational practices not always work out as it was planned by the headquarters. Wide range of barriers to transfer of practices have been identified, especially the ones that are the result of cultural and institutional context (e.g. Kedia and Bhagat, 1988; Zander and Kogut, 1995; Szulanski, 1996; Calori et al., 1997; Borkowski, 1999; Gupta and Govindarajan, 2000; Harzing and Sorge, 2003; Noorderhaven and Harzing, 2003). Furthermore, Kostova and Roth (2002) also show that even within the same multinational corporation, subsidiaries might present differing degrees of implementation and internalization of organizational practices. Thus, a critical question for headquarters is how to deal with mechanisms that influence transfer organizational practices to subsidiaries.

In spite of the broad literature on organizational knowledge transfer (Zander and Kogut, 1995; Szulanski, 1996; Hansen et al., 1999; Argote and Ingram, 2000; Gupta and Govindarajan, 2000) many issues remain unanswered. Mainstream of existing research focuses on cultural (Adler and Bartholomev, 1992; Barkema et al., 1996; Hennart and Larimo, 1998; Li et al., 2001) and institutional contexts (Tollbert and Zucker, 1983; Rosenzweig and Nohria, 1994; Ferner and Quintamilla, 2001; Dacin et al., 2002) and their impact on transfer of organizational practices within multinational corporations. Although these factors have been found significant in empirical research, there is still a lack of more systematic empirical research on intra-organizational factors, such as language and social capital; especially cognitive social capital should receive more attention.

## **2.2. Cognitive social capital and the role of language**

Human relations cannot be easily understood without paying attention to language. Language skills seem to be the necessary foundation of any kind of relationship. They are prerequisites that enable people to interact with each other, but also work like 'glue' that keep the relations alive. Likewise, the idea that shared language can be a significant aspect of social interaction and integration within organizations has been widely accepted by social capital theorists (Nahapiet and Ghoshal, 1998; Adler and Kwon, 2002; Bolino et al., 2002); however, language has mainly been perceived as part of the cognitive dimension of social capital (Nahapiet and Ghoshal, 1998; Tsai and Ghoshal, 1998). Even though the significance of language skills has sporadically been mentioned in the literature on the management of the multinational corporation (Hedlund, 1986; Govindarajan and Gupta, 2001), the research on language barriers seems to be very limited and language has been significantly neglected by scholars

(Marschan et al., 1997).

Recent studies undoubtedly demonstrate that language is an important factor that may influence multinational corporations' operations. However, language has not yet been sufficiently recognized in research on organizational practice transfer. We still do not know much about how language influences the relationships between headquarters and subsidiaries, and little is known about language's impact on transfer of organizational practices within multinational corporations. Researchers have studied language mainly as a source of power (SanAntonio, 1988; Marschan et al., 1997, Marschan-Piekkari et al., 1999a, 1999b); examine language strategies for multinational corporations (Vaara et al. 2005); and the role of language in facilitating communication within multinational corporations (Barner-Rasmussen and Björkman, 2005; Buckley et al., 2005).

Nahapiet and Ghoshal (1998) address the problem of language in their discussion of social capital – they classify it as an aspect of the cognitive dimension of social capital. Shared language can provide shared interpretations and meanings among organizational members, and can help communicate values, norms and rituals. Nahapiet and Ghoshal (1998) classify the effects of language on knowledge combination and exchange in three separate categories: direct impact, perception impact and combination capability enhancement. The first one relates to the degree to which a certain language skill enables those who speak that language access to the people and their knowledge; thereby influence the structure of informal power of individuals inside the organization (Marschan et al., 1997; Marschan-Piekkari et al., 1999a, 1999b). Furthermore, Nahapiet and Ghoshal (1998) suggest that language may also influence individuals' perception. The specification of this problem can be found in the study of Marschan-Piekkari et al. (1999a, 1999b), who claim that natural languages and may lead to individuals or even units to be 'left outside' organizations. For instance, limited language skills may therefore affect the structural social capital by isolating people or units from each other and making them inaccessible.

### **3. Methodological paradigm**

#### **3.1. Ontological assumptions**

I believe that all the phenomena that I am supposed to study through my research are real and that they exist independently of both the study and my person as a researcher. However, I also do believe that these phenomena are at least partially socially constructed. Following Burrell and Morgan's (1979) metatheoretical assumptions about the nature of social science, one is

able to choose between two contrasting positions – realism and nominalism. However, I cannot fully subscribe to any of these two standpoints. Thus, I would position myself somewhere in between; in particular, adhering more to a critical realist approach. According to critical realist approach, some ‘representations’ accurately represent the external phenomena, while others do not. This approach suggests that reality is external and independent, but at the same time, also socially constructed. Therefore, there is some objectively knowable reality, that is not dependent on our mind, but the role of cognition should not be underestimated. (Bhaskar, 1978).

### **3.2. Epistemological assumptions**

The research within area of knowledge sharing has emerged from various epistemological approaches that constitute provide different methodological standpoints. However, there are two epistemological approaches that have dominated the field of knowledge sharing, namely positivism and social constructionism.

Positivist approach suggests that ‘objects in the world have meaning independently to consciousness’ (Crotty, 2003: 27). Therefore the meaning is embedded in words/ texts, and the successful decoding of the meaning leads to an unproblematical knowledge sharing. Positivist researchers refer to knowledge as to an objective thing that can be accumulated and shared without the interference of the perceiving mind (i.e. Buckley and Carter, 1999). For example, Gupta and Govindarajan (2000) suggest in their study on knowledge transfer within multinational corporations that knowledge transfer is dependent on knowledge characteristics, the structure of communication channels, and finally on the recipient’s ability to absorb knowledge. Therefore, even though positivist researchers are aware that miscommunication often occurs, they argue that the lack of successful knowledge sharing has its roots in absorptive capacities rather than from existence of different interpretive processes. Even if, some level of absorptive capacity is vital for sensemaking to happen, this may not automatically guarantee that the ‘sender’ and ‘recipient’ will share the same cognitive frameworks that would allow them achieve the stage of mutual understanding. Consequently, positivistic approach towards knowledge sharing, surprisingly though rejects the very complex nature of linguistic and cognitive patterns that people should share before they can adjust to each other, and reach the level of common perception.

In contrast to positivist approach, socio-constructivist researchers within the field of knowledge sharing assume that knowledge is socially constructed and is defined by its social usage. Words/texts retain their meanings only within a certain context of different activities

and relationships between people (Gergen, 1994). Therefore, organizational knowledge is constructed by social and cultural processes, and exists in sets of organizational practices (Brown and Duguid, 1991 and 2001; Gherardi, 2001; Orlikowski, 2002), activities (Blacker, 1993; Spender, 1995), shared beliefs (Dougherty, 1992), and/or discourses (Bechky, 2002). Consequently, it is these organizational practices and structures that form 'channels' of knowledge sharing (i.e. Handley et al. 2006; Roberts, 2006; Wenger, 2000).

Both of the above mentioned epistemological traditions assume that knowledge is embedded in words/ texts, which meanings are separate from the perceiving mind; consequently assuming semantic stability of these meanings. However without pre-existing mental models that would allow a person to decode the meanings, transfer of knowledge and ultimately understanding will be very unlikely to happen; hence this transfer would be just a meaningless imitation rather than a process of learning and/or understanding. (Bandura, 1986). Excluding cognitive processes from the whole picture, may lead to problematic situations in knowledge sharing research. For example, how can the researcher will be able to explain the situation in which two people with the same cultural background, the same education, the same position in organization, performing the same activities, may end up constructing various conceptualizations about a given object? Without addressing the role of unique individual mental models and different cognitive processes, this situation seems hard to explain.

Therefore, having in mind the positivist and socio-interpretivist research done in the field of knowledge sharing, I adhere to the viewpoint that current approach towards knowledge sharing overlooks all the interpretive processes that are performed by the perceiving mind (Dougherty, 1992). Socio-cognitive approach, which emphasizes that knowledge sharing depends on individually personal processes (Bandura, 1986), can therefore offer a fruitful perspective for the field of knowledge transfer. Therefore, I aim to lean for the socio-cognitive approach towards knowledge sharing, assuming that knowledge transfer is endogenous to the mind and body.

### **3.3. Methodological assumptions**

I regard the socio-cognitive approach as the most convenient when examining practice transfer within multinational corporations. The decision to follow this approach is very much related to my view of social world as having a rather uncertain ontological status. Moreover, I believe that reality consists of various social discourses that change over time, which ultimately make some things possible, and others unimaginable. Therefore, I intend to employ

qualitative methodology that will allow me to deconstruct the multiple versions of reality, but also reach the cognitive processes and schemas of the researched.

In order to explore in detail the cognitive and linguistic aspects and their influence on transfer of organizational practices, it is necessary to analyze these in their own context. I have chosen the case study approach, in alignment with the scope and benefits offered by this methodology. In addition to finding answers and clarifying vague or uncertain issues, the investigative case study also serves the purpose of narrowing the research topic or field. This aspect has been supported by a number of researchers including Wallace (1984), Eisenhardt (1989), Greenwalt (1994), McGuire (1995), and Terziovski et al. (1997). The case study method focuses on understanding the dynamics present within single settings and it is certainly one means for researchers to develop a deep understanding of actual management practices. Case study typically utilizes multiple data collection methods, such as observation, interviews, document analysis and questionnaires.

To conduct this research, I believe that data collection should begin with interviews, observation and document analysis in order to become acquainted with the organization and functioning of a case study company, and then continue with more in-depth qualitative study based on interviews and diaries. The purpose of the interviews is to gain information about how teams' and organizational members' cognition and language skills affect the transfer of organizational practices. The aim of using diaries is to be able 'observe' behaviour which would be inaccessible through either participant observation or interviews, as well as get more information about the cognitive schemas of the researched. Nevertheless, having in mind the suitability of these methodologies in relation to the proposed research problem, I assume that studying cognitive and linguistic issues in specific contexts concerning knowledge transfer may involve lack of generalizability of the research findings.

Even though other research streams relate to a high extent to the issues of cognition and social processes, the socio-cognitive approach seems to be a fruitful perspective for the better understanding of knowledge transfer. I believe that knowledge transfer cannot be understood without understanding the social interaction between people involved in knowledge sharing; likewise the role of the cognizing mind should not be underestimated. Although some qualitative methodological approach has been suggested, I would like to make a note that these are still under the consideration, and no final decision as such has been made.

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