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The Use of Repatriate Knowledge in Austrian Banks

Gerhard Fink/Sylvia Meierewert/Ulrike Rohr

0. Abstract

Repatriates are mostly an underestimated resource within a company. Repatriates could contribute to sustained competitive advantage of firms as a rare and imperfectly imitable resource, if firms would fully employ their knowledge. In extant literature, we find four major categories of expatriate knowledge: market specific knowledge, personal skills (Adler 2000, Antal 2000, Downes/Thomas, 1999, Kühlmann/Stahl 1995), job related management skills, and network skills (Antal 2000, Downes/Thomas 1999, Kühlmann/Stahl 1995). In an explorative qualitative case study in Austrian commercial banks, we collected data about the knowledge acquired by expatriates using narrative interview techniques. From the perspective of the interviewed repatriates, the existent categories could be confirmed and an additional category of importance was found that so far was not identified in the literature: the general management capacity of repatriates was substantially enhanced during their assignment abroad.

1. Introduction

So far, research dealing with intercultural management focused on the psychological and social processes at the level of the individual to select the best suited employees and prepare them for their tasks abroad (e.g., Black/Mendenhall/Oddou 1991, Ward 1996, Bolten 2001, Welch 2003).
The scientific base for the trainings were quasi-quantitative methods used to survey national cultures and their differences in the form of cultural dimensions (e.g., Hofstede 1990, Trompenaars 1993) as well as qualitative methods based on narrative interviews used to identify cultural standards (e.g., Thomas 1993) and anthropological studies (e.g., Douglas 1978, Hall/Hall 1990).

The emphasis on the issues of selecting the best suited people for an assignment is due to the high costs associated with expatriation. Expatriates represent an extremely expensive investment into human resources of companies. Average costs for one year of an expatriate assignment are estimated at about 500 000 euro (Hsieh/Lavoie/Samek 1999). The aim of intercultural preparation is to enable employees to more easily overcome individual culture shocks and to rapidly take and implement efficient decisions in a different cultural surrounding by creating realistic expectations. But, in order to make the best possible use of this investment, companies should also draw on the knowledge potential of their repatriates.

The situation of repatriates in the parent company after their time abroad has hardly been subject of scientific research so far (Adler 2000, Antal 2000). There are not yet any estimates about what losses companies faced when returned expatriates left their job to work with a competing firm.

Questions that are raised by this integrative approach are:

1. What sort of knowledge was gained by expatriates?
2. How can tacit knowledge be converted into explicit knowledge?
3. How can companies make use of this knowledge as a rare, valuable and imperfectly imitable resource as described by Barney (1991)?

Based on the findings by Black (1999) we have to raise one additional question:

4. Why do repatriates quite often leave their firm soon after return?

In order to use knowledge as a resource for competitive advantage, a company first needs to assess the knowledge it has got within its boundaries. The present study attempts to gather and systemize the knowledge components of returned expatriates and to assess what parts of the gathered knowledge could be passed on to colleagues or applied to the company’s benefit.

We used an explorative grounded theory approach (Strauss/Corbin 1998) and made narrative interviews with 16 returned expatriates from 3 large Austrian banks.

The paper is organized as follows: Next we describe the theoretical background and specify our research question, then we describe the constant comparative method based on narrative interviews. After presenting the results, a discussion of the findings and a summary conclude the text.
2. Theoretical background and research question

Cross cultural knowledge which is applied in management is mainly created at three distinct levels:


When organisational staff-members are sent on a temporal job assignment to another country, they make acculturation experiences in the context of their assignment. The focus of the related concepts is to support the expatriates to gain competence to better deal with culture shock and to work effective in a foreign area.

Thus, intercultural knowledge is a major resource for firms and nations. Intercultural knowledge management capabilities are crucial to enhance the core competitiveness of firms and nations.

The resource-based view was formally presented by Wernerfelt 1984, who suggested that an organisation’s success is tied to its ability to capitalize on its assets. According to the resource
based view, not all assets are equally important. A firm’s resources that are valuable, rare, imperfectly imitable and for which there are no equivalent substitutes can support a sustained competitive advantage for companies. Sustained competitive advantage is defined as the implementation of “a value creating strategy not simultaneously being implemented by any current or potential competitor” (Barney 1991). The strategic management literature of the past years has mainly focused on the importance of intangible resources as critical drivers of competitive advantage (Haanes/Fjeldstad 2000). Lately knowledge has in this context been seen as the main resource for competitive advantage of organizations over the long term (Gallupe 2001). Therefore, recent literature has increasingly put attention on human resources as a strategic asset. Human resources are in this context defined as “the pool of human capital under the firm’s control in a direct employment relationship” (Wright/McMahan/McWiliams 1994). Human resources can be a source for sustained competitive advantage due to the imperfect distribution of skills, a scarcity of high quality human resources, the inimitability of human resources and the fact that they can never fully be substituted by technology (Wright/McMahan/McWiliams 1994).

Knowledge Management

In order to being able to transfer the resource knowledge into a competitive advantage, recent research has focused on the management of knowledge. Nonaka, Reinmoeller and Senoo (1998, p. 673) defined knowledge as “justified true beliefs and bodily acquired skills”. Knowledge is thereby divided into two parts: explicit knowledge that can easily be expressed and shared and tacit knowledge which is non-articulated and embedded in contexts (Nonaka/Reinmoeller/Senoo 1998). In the past, tacit knowledge has often been neglected as it
is hard to be communicated, passed on and stored. Explicit knowledge by contrast is often publicly available and therefore not a source for sustained competitive advantage. The challenge for knowledge management lies in the process of the finding, the making visible and the usage of tacit knowledge in order to create value for the company. As any other resource it has to be managed effectively (Gallupe 2001). However, to effectively manage knowledge, a company has to know what it knows. Looking at literature on knowledge management this aspect is mostly neglected. There is always the division between explicit and tacit knowledge as mentioned above, but further clarifications are missing. Current articles on knowledge management focus mainly on the systems to store and create knowledge.

**Intercultural knowledge management**

As Holden 2001 points out there is only very little literature on intercultural knowledge management. Davenport and Prusak (1998) cited different cultures as a factor which might retard the transfer of knowledge. Schoenberg (1999) studied the transfer of knowledge by UK firms to acquisitions in other EU countries. Cyr (1995) looked at knowledge transfer and aspects of human resource management in international joint ventures. Fink and Mayrhofer (2001) included a cultural dimension into the resource based view of the firm. Finally the literature on expatriate management has lately started to look at expatriates as a means of transferring knowledge internationally (e.g. Antal 2000, Antal/Böhling 1998, Antal 2001, Downes/Thomas 1999 and 2000, Hsieh/Lavoie/Samek 1999). As Gupta and Govindarajan (2000) argue, “conceptual work in this area is still in the early stages”. 
This article tries to add to the present research by focusing on two sides of knowledge management that in the past have less been dealt with: the international aspect of knowledge management and the dimensions of knowledge gained by expatriates during their assignment abroad.

**Our research question: Expatriates as a source of competitive advantage**

As argued above human resources can be a source of competitive advantage. Thinking of corporations, high investment in expatriates, successful repatriates seem even more precious.

In a world of growing internationalization and growing competition for the best talents, a pool of skilled employees having international experience is a strategic asset and one of the rare sources for sustained competitive advantage (Hsie/Lavoie/Samek 1999, Bonache/Brewster/Suutari 2001).

Expatriates play an important role in transferring knowledge to overseas operations and to establish headquarter policies in subsidiaries (Mayrhofer 2001).

At the same time, they can transfer knowledge back to the company’s home base. If companies fail to reintegrate their expatriates who leave the firm after return, their valuable knowledge can be transferred to competitors and be used against the original firm. In the current literature on expatriate management the argument of using expatriates to transfer knowledge to the subsidiary is widely described and it is normally the reason for expatriate assignments within companies. The second argument, the transfer back of intercultural knowledge, is less common, only a few recent articles stress the importance of knowledge gained by expatriates abroad and transferred back to the mother company (e.g. Antal 2000, Downes/Thomas 2000, Hsie/Lavoie/Samek 1999).
The benefits of the transfer of knowledge to the sending firm (parent company) are multiple:

- Headquarters can get a better understanding of international operations (Dow-nes/Thomas 2000).
- The communication between the parent and the subsidiary can be improved and thereby diminish sources of frictions (Fritz 1984).
- Better market access through the network that expatriates have built during their assignment.
- A pool of highly skilled employees for further international expansion.
- Expatriates as innovators may create more effective processes within the company having seen different ways to deal with open issues (Selmer 1995).

3. **Constant comparative method: Narrative interviews and grouping of incidents**

We assume that repatriates are a valuable source of knowledge of firms. With our research we want to find out

a) What are the important components of that knowledge?

b) What is considered by the repatriates as their most important knowledge gain?
Since so far there is little research on repatriate knowledge we decided to pursue a qualitative approach and to use narrative interviews for data collection. That should help us to get a sufficient coverage of important issues for formulating appropriate constructs (Bewley 2002). Explorative attempts are especially suited for analyzing new problems and research questions. We designed a series of narrative interviews (Fink/Meierewert 2001, Hermanovicz 2002), applied interpretative techniques as text analysis (Mayring 1996) and the constant comparative method (Strauss/Corbin 1998, Boeije 2002).

Test groups and interviewees were invited to tell situations to the interviewer that seemed most relevant to them without being restricted by a rigid questionnaire. Those experiences were collected, checked for validity and interpreted by the researcher. In the evaluation phase, the main factors were extracted and described.

For a first attempt to develop constructs we referred to the two relevant studies published so far:

a) As guide for future research Adler (2000, p. 249) listed in a descriptive way skills acquired by expatriates:

- Managerial skills, not technical skills,
- Tolerance for ambiguity,
- Multiple perspective,
- Ability to work with and manage others.
b) Recently, Antal (2000) published a first explorative study on the types of knowledge gained by expatriate managers. She listed five types of knowledge:

- **Declarative knowledge**: facts on the country, the local company and the local society.
- **Procedural knowledge**: an understanding of processes and the ability to find solutions to problems encountered.
- **Conditional knowledge**: an understanding of the framework to better assess what kind of actions will succeed in the specific cultural setting.
- **Axiomatic knowledge**: an understanding of the background and the meaning of the intercultural differences.
- **Relational knowledge**: the creation of networks.

Initially we considered these categories as a possible instrument for analysis of the interviews. In our research design, we restricted ourselves to the small segment of the three major Austrian commercial banks, whose degree of internationalization lies in between the multidomestic (situation at the time of the foreign assignments of the interviewed expatriates) and multinational phase (today’s situation) following the categorization of Adler (1997, p. 7):

- **Domestic Phase** (foreign activities are limited to the export of surpluses)
- **Multidomestic Phase** (foreign activities include local production and sales, very strong expansion in new markets with a great need for knowledge on the target markets and cultures)
- **Multinational Phase** (foreign activities are used to achieve cost leadership, aim is a complete standardization of products and services produced)
- Global Phase (global sourcing is combined with an adaptation to local needs. Quality is combined with pure cost leadership)

Sixteen returned expatriates from three major Austrian commercial banks and one manager responsible for supervision/coaching in every one of these banks were interviewed between April and October 2001. The interviews were narrative interviews centred on three major subjects: knowledge gained abroad, ways in which this knowledge is used, and possibilities to improve use of their knowledge. The interviews lasted between half an hour and one and a half hours and mostly took place in the offices of the interviewees. The interviews were recorded and transcribed afterwards. The interviews were then analyzed in accordance to qualitative content analyses and the constant comparative method (Boeije 2002, Mayring 1996, Lamnek 1995, Witzel 1985).
4. Results

Each interview was analyzed for consistency. Next, interviews where stepwise compared. After each 5 interviews a preliminary analysis of the so far collected incidents was undertaken. The intermediary results were compared with the analysis of the next 5 interviews. After that the analyses were revised and an intermediary result of the first 10 interviews was established. Then the last six interviews were analyzed and by comparison integrated with the results achieved from the first 10 interviews.

We first tried to group the reported incidents according to the four categories of Nancy Adler (2000, p. 249) or to the five categories by Antal (2000). However, the recorded incidents did not fit with these categories. In both cases there were to many incidents left, which did not fit. Therefore, after consulting available literature (Kühlmann/Stahl 1995, Stroh/Gregessen/Black 1998, Downes/Thomas 1999 and 2000) we developed four constructs (market specific knowledge, personal skills, job related management skills, and network knowledge) and generated one additional category: general management capacity. The reported incidents fit nicely into these post hoc categories. The category “network knowledge” is overlapping with the notion of “relational knowledge” by Antal (2000). We consider the identification of the category ”general management capacity” as important.
Table 1: Interview Results

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Seven out of 16 expatriates told us, that they now had a better understanding about the business of banking. Foreign subsidiaries often had been very small and expatriates had to cover a broader field of action. Therefore they got the opportunity to learn how a commercial bank works. They gained insights, which helped them to look beyond their narrow field of competence and to see the working of a bank as a whole.

That is our important finding: Repatriates are better able to serve customer requests, even if they do not directly address their specific area, as they can either answer the questions straight away or are able to redirect customers to the competent departments. Their ability to see the business as whole constitutes a critical qualification for future top management positions, where an overview over business is crucial in order to take necessary strategic actions. But this knowledge is also creating expectations. Repatriates who had developed general management capacity were mostly dissatisfied with the position they got upon return from the foreign assignment. These managers were prone to leave their firm at the first best occasion.

Out of the five categories identified, only market specific knowledge can be easily codified and passed on. All the others can hardly be codified and are therefore difficult to transfer.

The aggregated material was discussed with the supervisors of the repatriate managers. In the discussions we could clarify our perceptions. We found support for our classification of events.
Categories A-D constitute knowledge that could enhance competitiveness of a firm. Category E constitutes knowledge that could enhance the management skills of a repatriate and generate dissatisfaction after return when high expectations are not met by the parent firm.

In somewhat more detail we got the following results:

A) Market Specific Knowledge

By working in a different environment, expatriates learn to understand their environment. They acquire knowledge about the local system (political, social and economic). They often learn the language, local customs and ways to handle business. This knowledge is normally relatively easy to codify and can be transferred to colleagues. Similar cases were found by Downes/Thomas (2000), Antal (2000) and Downes/Thomas (1999).

Typical incidents reported:

- "The advantage is, that you get an insight and that when you are there, you know how people act, you know what makes them going” (W-1/1).
- “There is a parallelism in the legal system of these former communist countries, so that I know some things, that are similar or the same” (W-15/1).
- “I learnt a little Slovakian and I polished my English” (W-12/6).

B) Personal Skills:

During their time abroad, expatriates improve their soft skills. These personal soft skills include a widened horizon, intercultural skills, openness, more self-confidence, flexibility and tolerance. This knowledge cannot easily be transferred. It is personal experience. More skilled
managers are an asset for the firm. Similar cases were found by Kühlmann/Stahl (1995), Adler (2000), Antal (2000), Downes/Thomas (1999).

Typical incidents reported:

- “One learns to deal with different people, cultures and ways of thinking” (W-6/2)

- “One starts to be more independent. You are often alone and therefore you just go ahead and do it“ (W-16/3)

- “Due to the changed environment on a foreign assignment you get more flexible. You see chances and risks more quickly.“ (W-5/2)

C) Job related Management Skills

Task related skills comprise job related soft skills. Due to the different working environment, expatriates have to develop or improve their job related management skills. Mostly they improve their communication skills, their project management skills and their competence to solve problems. This knowledge cannot be transferred easily. Repatriates will be able to use these skills in every day management at home. Management becomes more effective. Similar cases were found by Stroh/Gregersen/Black (1998), Adler (2000), Antal (2000), Downes/Thomas (1999).

Typical incidents reported:

- “What I learnt there, was how to present things, how to do a change process” (W-4/2).

- “Have learnt a lot on communication, because it is not evident, that when something has been said, it has been understood. One has to feed back.”
D) Network Knowledge:

Expatriates normally meet many people. They create a network in their host country. On the one hand they know clients and suppliers and on the other hand they get to know people within the subsidiary. Expatriates can also expand their network within their home country, as they normally act as a contact person between the parent and the subsidiary. This knowledge is partly transferable. Repatriates can introduce colleagues to their networks. They also can apply their network knowledge to create new business opportunities. Similar cases were found by Kühlmann/Stahl (1995), Antal (2000), Downes/Thomas (1999).

Typical incidents reported:

• “I was able to build up a network with other banks and companies“ (W-5/1).

• “And it was a big advantage to meet many people… I have worked with many people, that in any normal job in a bank I would never have worked together with. The width of the internal network as well” (W-8/2).

E) General Management Capacity:

Foreign subsidiaries are often smaller entities. Expatriates therefore have to deal with a broad range of actions enlarging their understanding of the business as a whole. They have to handle business functions they normally don't touch and thereby learn to understand the interactions of the different functions. By that, they learn to understand the nature of the business. This knowledge cannot be transferred. In top management positions it can help to better assess the
implications of a decision. It help to improve customer satisfaction. This knowledge qualifies repatriates for higher management positions.

Typical incidents reported:

• “It is also the dealing with a different size of a bank. ___ was a small bank, where you learnt how a bank works. You know all departments and gain an overview. Before, I knew that there is something called controlling and that it is spelled with a C, but not more than that. In ___ I have seen a lot more” (W-11/5).

• “What I liked, was the step aside of an extreme division of work, where you only know your own little department, to a little bank with 40 people, what we were in the beginning. Where you know everybody and where you can see the whole flow of work from A to Z and where you can learn to understand it. I think I do understand the flow of work a lot better now, because I have seen it in miniature “(W-13/4).

• The bank was very small and one had to deal with everything, that touches banking – not only credits, but in meetings of the top management, you would also talk about treasury and personnel and you would see the whole panoply and tell your opinion on it” (W-15/9).

5. Discussion

One the one hand repatriates generate and transfer knowledge that is useful for the firm and may even constitute a valuable source that is also difficult to copy. On the other hand repatriates generate knowledge that is useful for themselves. This gives higher self esteem, is leading to higher expectations after return which hardly could be met by the firm in the first phases of internationalization. This may be the main reasons why so many repatriates are
leaving their firm soon after repatriation or are seeking the next foreign assignment within a short period of time.

Repatriate knowledge so far is not widely researched. Our approach, narrative interviews, text analysis and application of the constant comparative method is subject to any criticism that applies to this method: possible convenience sampling, culture bias, interviewer bias.

Nevertheless, we could add one important facet to the so far rather scarce research efforts. Black (1999) had found that nearly one quarter of all returned expatriates in the USA change their employer within one year. Corporations lose a valuable source of knowledge and skilled managers. The knowledge acquired by the leaving repatriate may be even used against the original employer.

Our study gives some hints that twofold learning during an assignment abroad can be one cause: learning for the company and learning for oneself.

Firms at the first stages of internationalization, just as in our sample, may have a particular disadvantage. They invest into their expatriates, but cannot offer appropriate (and expected) higher management positions in the parent company within a reasonable time span after repatriation, as in most instances the number of high management positions does not grow with the number of expatriations during the first phases of internationalization.

Part of the knowledge created during expatriation cannot easily be codified and transferred to other people in the parent company.

From the limits of our study we draw conclusions for further research:

a) Similar studies should be undertaken by researchers from other cultures in their own cultural context.
b) Size of the parent firm and the stage of internationalization of the corporation may have a significant impact on the results of research.

c) More research is needed to get closer to the actual content of knowledge and to tackle the issue, how tacit knowledge acquired during expatriation is made explicit and transferred within a corporation.

d) At a later stage when similar studies have been undertaken in several countries a qualitative meta analysis of the data seems appropriate.

e) Within the context of Austria a questionnaire should be developed and tested within a broader range of firms from different sectors and at different stages of internationalization.
6. Summary

We assume that knowledge of repatriates can be a useful resource to enhance a firm's competitiveness. In an explorative study based on narrative interviews with 16 repatriates in Austrian banks and after a feedback with 3 supervisors we find that expatriates indeed gain knowledge during their assignments abroad that is useful for their firm, but they also gain knowledge that is primarily useful for themselves. Since our findings did not fit with the earlier developed constructs by Adler (2000) and Antal (2000) we developed five post hoc categories: market specific knowledge, personal skills, job related management skills, network knowledge, and general management capacity. While the first four categories are considered useful by the firms (Adler 2000, Antal 2000, Downes/Thomas 1999, Kühlmann/Stahl 1995), the fifth, general management capacity, is mainly useful for the individual repatriate. Since smaller and medium size firms do not need that many “general managers” at their headquarters they mostly cannot meet the higher ambitions of repatriates with newly acquired general management capacities. The mismatch between qualifications, expectations, and opportunities within a firm during the first stage of internationalization could be the main reason why so many repatriates leave their firms soon after repatriation.

The small scope of the sample and the restriction to a single sector in a single country define limits of this study. Nevertheless, we gained important insights that might be more deeply explored by research in other countries/cultures and in a broader business context, too.
7. References


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