

KNOWLEDGE TRANSFERS INTO ESTONIA AND THE CZECH REPUBLIC

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INTRODUCTION

Since the fall of communism, businesses, economists and social scientists to mention but a few have turned the spotlight onto the countries of Central and Eastern Europe (CEE). From an academic perspective this is argued to be partly due to CEE providing a unique societal test-bed in which to verify the applicability of existing international business and management theories as well as to develop new ones (Meyer and Peng, 2005). Research of this nature has subsequently proliferated in a number of fields over the past decade. For businesses, CEE has inevitably presented attractive opportunities for foreign direct investment. Not least attractive in recent years have been the benefits realisable through 'nearshoring' which has witnessed the movement of research and production activities of Western European MNCs to CEE locations (*The Economist*, 2005a). By focusing on talent and geography, such MNCs have sought to capitalise on the inexpensive labour supply and proximity that the countries of CEE offer, as opposed to the very cheap and distant alternatives that global outsourcing solutions have emphasised.

However, the ability of foreign investors to fully capitalise on these and other benefits in the context of social and institutional transformation frequently remains illusive. Indeed, whilst subsidiaries in CEE have been shown to lack important resources, the cross-border transfer and exploitation of such resources are problematic (Uhlenbruck, 2004). Fostering desirable management practices within such subsidiaries in transition countries is therefore argued to be costly and often underestimated by foreign investors (Fabry and Zeghni, 2003). Underlying such accounts is the implicit assumption that superior Western knowledge, whether in the form of technology, management practices or ideology, needs to be transferred and institutionalised in CEE transitional contexts where such knowledge is lacking or insufficient. As will be discussed, significant academic debate exists, however, regarding the continued appropriateness of terms such as 'transition' and 'knowledge transfer' as accurate conceptualisations of post-socialist developments in CEE.

A feature of the same debate is also the role attributed to the Western expatriate who is often given the mandate of facilitating the integration of foreign subsidiaries into the rest of the MNC. Although it is argued that scant research actually exists on expatriates in CEE since 1990 (Peterson, 2003), the studies that have been conducted indicate that expatriates assume a wide variety of roles (Hetrick, 2002; Danis, 2003; Peterson, 2003; Riusala and Suutari, 2004)

and face a number of adaptation-related difficulties (Suutari, 1998a) on the way to achieving such integration.

The purpose of the present study is to update our current knowledge about the challenges of developing and integrating subsidiaries in selected CEE countries by examining the cross-border transfers of knowledge within MNCs. This is achieved by drawing on the perspectives and experiences of Finnish expatriates who represent key actors in these processes. Accordingly, the study has three key aims. *Firstly*, the study seeks to identify the types of knowledge being transferred not only *to* but also *from* the host subsidiaries. Such reverse knowledge transfer represents a shift away from the ‘classical’ West-to-East transfers and has been recommended to receive more research attention (Lang and Steger, 2002). The *second* objective concerns the identification of impediments to these knowledge transfers that the expatriates have experienced. Through the application of an integrative framework of cross-border knowledge transfer impediments that is grounded in institutional theory, the study also incorporates the call for institutional theory as a constructive approach to the investigation of knowledge transfers to the former socialist countries of CEE (Lang and Steger, 2002). Lastly, the *third* objective of the study seeks to explore the nature of the ‘transformation’. It achieves this by studying the extent to which knowledge transfers have transformed local management practices and the broader social environment in which the host unit operates.

The following sections place the present study in the context of knowledge transfer research, and in the CEE context how knowledge transfer needs and impediments apply to the transition of CEE as well as the associated debate arising from the growing transformation literature. Finally, the methodology and results of the study are presented.

Impediments to Cross-Border Transfers of Knowledge through Expatriates

The knowledge transfer stream of research can no longer be considered new and yet it continually serves to remind us of how problematic knowledge transfer processes can be, particularly when they take place across borders. In light of the purported strategic imperative to integrate and transfer knowledge (Grant, 1996; Argote and Ingram, 2000) this might partly explain why ‘knowledge transfer capacity’ has been argued to represent a significant explanatory factor of MNC performance (Martin and Salomon, 2003). Indeed, recent research appears to confirm the persistence of many of the impediments to knowledge transfer that

were highlighted already a decade ago in landmark studies by Zander and Kogut (1995) and Szulanski (1996). Research since then has regrettably contributed less to overcoming such barriers in organisations in favour of adding to and refining what these impediments are as well as where and when they might arise. One reason for this might be the past imbalance in theoretical frameworks over more systematic empirical investigation (Gupta and Govindarajan, 2000).

This criticism has been rendered less valid in recent years as empirically based research on knowledge transfers has gathered pace in conjunction with special issues in academic journals (e.g. *Journal of International Business Studies*, 2004; *Academy of Management Executive*, 2005). The role of expatriates has been seen to be central in facilitating such knowledge transfers across units. The overall motives behind deploying expatriates in foreign subsidiaries have incorporated the simultaneous need for control, coordination and know-how transfer (Torbiorn, 1994). In conjunction with the promotion of knowledge-based capabilities of MNCs, the expatriate's ability to assimilate and teach often complex forms of knowledge has thus rendered their role of greater strategic significance (Bonache and Brewster, 2001). Indeed, views of expatriation as a mechanism of knowledge transfer have prompted several studies in this area (Downes and Thomas, 2000; Hocking *et al*, 2004; Hébert *et al*, 2005).

With regards to the role of expatriates in CEE, it has been argued that insufficient research exists (Danis, 2003; Peterson, 2003), especially when the knowledge transfer processes that are critical to the region's transition are argued to require a significant new role for expatriates (Fabry and Zeghni, 2003). The research that has been conducted in this field indicates the very wide variety of roles that expatriates in this region are expected or perceived to perform. For instance, Danis (2003) describes how Hungarians perceived Western expatriates in different ways as unpopular authoritative figures, information conduits and functional specialists. Similarly, Hetrick's (2002) study reveals how expatriates in Poland were required to fulfil many roles as key control mechanisms in integrating employees overseas, ranging from 'role models' and 'fixers' to 'networkers' and 'mentors'. In their study, Riusala and Suutari (2004) also indicate that these roles tend to be both emergent in nature and are adopted autonomously by the expatriates themselves. Other work has gone on to indicate that Western expatriates in general find this region the most challenging in which to operate (Smale *et al*, 2005).

One distinct area of recent theoretical development and scientific enquiry has been the marriage between what is known about internal knowledge transfers in organisations and the cross-national contexts in which they take place, most typically within MNCs (Bhagat *et al*, 2002; Foss and Pedersen, 2002; Jensen and Szulanski, 2004). One such contribution by Riusala and Suutari (2004) summarises the different potential impediments (or ‘stickiness factors’) to international knowledge transfers into an integrative framework (see Figure 1) which will now be briefly described since it forms a key foundation of analysis for the present study. Based on the work by Kogut and Zander (1993) and Szulanski (1996) the framework incorporates impediments related to the characteristics of knowledge, and based on the work by Kostova (1999) is grounded in institutional theory resulting in the formation of social- (country-level), organisational- (unit-level) and relational-based (parent-subsidiary-level) impediments.

- Insert Figure 1 about here -

Characteristics of knowledge

The most well established classification of knowledge types is that of ‘explicit’ and ‘tacit’ forms (Polyani, 1962) whereby ‘explicit’ refers to knowledge that can be documented, structured and consequently is easily transferable, whereas ‘tacit’ forms of knowledge reside in the human mind, manifests itself in behaviour and perception and is subsequently more difficult to transfer (Nonaka and Takeuchi 1995). Knowledge tacitness has consistently been shown to impede the speed and stickiness of transfers (Zander and Kogut, 1995; Szulanski, 1996) and more recently has been argued to represent the most significant barrier to transferability over other contextual, host-country related explanations (Jensen and Szulanski, 2004). As a partial remedy to the oversimplified, two-dimensional explicit-tacit typology, the framework adopts Kogut and Zander’s (1993) classification of perceived ‘*codifiability*’ (ability to articulate knowledge in document form), ‘*teachability*’ (difficulty encountered in teaching the knowledge to a new audience), and ‘*complexity*’ (the presence of critical and interacting elements that make it difficult to separate and measure).

Social context

The transfer of organisational practices or knowledge does not occur in a vacuum, but is influenced by the embeddedness of organisational senders and receivers in their respective national contexts. At the country level this is represented by the social context. The culturalist

school maintains that it will be a mismatch in national cultural values and norms that underpin key characteristics of a host-country environment, which will impact on a cross-cultural transfer of knowledge, whereby ‘cultural distance’ or the effective management of cultural differences will predict the size of impediments (Bhagat *et al*, 2002; Javidan *et al*, 2005). The framework by Riusala and Suutari (2004), however, follows assertions that institutional theory offers a more nuanced perspective on how national embeddedness, measured by ‘institutional distance’, can affect transferability (Kostova, 1999; Kostova and Zaheer, 1999). Accordingly, this produces the country-level dimensions of ‘*regulatory*’ (e.g. laws and regulations), ‘*normative*’ (e.g. values and norms) and ‘*cognitive*’ (e.g. interpretations and frames of thought), which are used to explain the existence of knowledge transfer impediments.

Organisational context

The second contextual obstacle that knowledge transfers have to confront is the organisational climates of the sender and receiver. Indeed, it is argued that organisational as well as national cultural differences will influence the cross-border flow of organisational knowledge (Bhagat *et al*, 2002). The impediments framework firstly adopts the two dimensions of organisational culture proposed by Kostova (1999) which are ‘*general*’ (the strength of orientations towards learning, innovation and change) and ‘*practice-specific*’ (the fit between the values embedded in a particular practice compared to the underlying cultural values of the host unit). Commonly referred to as ‘*absorptive capacity*’, the ability and motivation of an organisational unit to acquire, assimilate and exploit external knowledge has been both argued and empirically shown to represent a significant impediment to the transfer process (e.g. Cohen and Levinthal, 1990; Tsai, 2001; Minbaeva *et al*, 2003; Riusala and Smale, 2007).

Relational context

The final contextual variable which might impact the smoothness of a transfer resides at the parent-subsidiary level and is often manifested in the nature of intraorganisational relationships. Although they remain somewhat inconsistent, empirical findings have provided varying degrees of support for the relational context influencing the transfer of knowledge in organisational settings (e.g. Szulanski, 1996; Kostova and Roth, 2002; Dhanaraj *et al*, 2004). Similar to Kostova (1999), the integrative framework above distinguishes between ‘attitudinal’ and ‘power dependence’ dimensions of the relational context. More specifically, the ‘attitudinal’ dimension is broken down into orientations of ‘*commitment*’, ‘*identity*’ and

‘*trust*’ which the receiving party may or may not possess towards the sender. ‘*Power dependence*’, on the other hand, refers to a receiving unit’s degree of dependence (or lack of autonomy) on the sender which potentially might determine its level of bargaining power in the knowledge transfer process.

Knowledge Transfer Needs and Impediments during CEE Transformation

Impediments to cross-border knowledge transfers are arguably best tested and rendered more intriguing when one of the locations is substantially ‘distant’ from the other or is in a state of significant change. Perhaps for these reasons there have been an increasing number of studies dedicated to conceptualising and empirically investigating transfers of organisational knowledge and practices to contextually distant and transforming destinations such as China (e.g. Gamble, 2003; Wang *et al*, 2004; Li, 2005) and CEE (Lyles and Stalk, 1996; Riusala and Suutari, 2004; Hurt and Hurt, 2005; May *et al*, 2005; Smale and Suutari, 2007).

However, in order to briefly contextualise the present study in the post-socialist countries under investigation, a review of the literature is carried out using the knowledge transfer impediments framework described earlier as a guide. It is intended that through this we can summarise our current understanding, albeit from a Western viewpoint, about the types of knowledge transfer needs and transfer impediments that have been expressed either explicitly or implicitly as prevalent during the transition in CEE. In this way, a contextual lens can be created through which the subsequent findings of this study can be interpreted. It is pertinent to note here that since the majority of management and business literature dedicated to post-socialist developments in CEE focuses on Russia, the following review reflects this emphasis whilst attempting to integrate findings from other CEE country contexts.

Social context

From an institutional perspective, the national contexts within CEE have rendered organisational transformation, and the knowledge transfers required to achieve it, an extremely complex process. At the country institutional level, the transformation literature has indicated some common symptoms of this upheaval which have implications for knowledge transfer needs and impediments. For instance, as a regulatory barrier, various forms of bureaucracy associated with the previous centrally planned system have been consistently cited as frustrating attempts at management and organisational reform (e.g. Puffer, 1994; Kets

de Vries, 2001; Riisala and Suutari, 2004). Such accounts of excessive rules and regulations, whilst they describe the situation as improving, also indicate that it is still a bone of contention for both foreign and domestic firms. In the case of Russia at least, this is argued to reflect the persistent role of state intervention in conjunction with an increasingly market-oriented private sector (McCarthy *et al*, 2000).

From a cross-cultural (normative) viewpoint, knowledge transfers continue to confront challenges related to differences in value orientations, for example, between Western Europe and intended host recipients in CEE (Kolman *et al*, 2003). Indeed, the cultural differences that have been both derived and reinforced through an historical lack of cooperation between the East and the West together with contrasting ideological, religious and social underpinnings, are argued to present significant challenges for Western expatriates (Husted and Michailova, 2002) and to reduce the capabilities of knowledge senders and receivers to engage in successful transfers (May *et al*, 2005). National cultural differences have also been shown to manifest themselves in heterogeneous managerial values (Bollinger, 1994; Elenkov, 1997; Danis, 2003) and leadership behaviours (Suutari, 1998b), which are commonly undervalued factors in necessary, mutual processes of managerial learning (Villinger, 1996).

To the extent that central authorities took care of detailed plans for organisations during the Communist era, the cognitive skills of managers in CEE have traditionally been focused on the more routine implementation of systems and schedules (see e.g. Fogel, 1994; Clark and Soulsby, 1995). Amongst other reasons, this has contributed to a relative lack of planning and goal setting behaviours (Suutari, 1998b), and to a preoccupation with both the present and the past at the cost of more long-term, strategic considerations (Engelhard and Nägele, 2003). Indeed, it is argued that in the absence of appropriate reference structures on which to base decisions, the concepts of ‘mythical thinking’ (Weik, 2001) and ‘collective culture shock’ (Feichtinger and Fink, 1998) might better explain the cognitive processes behind perceived ‘irrational’ managerial behaviour in transformational contexts. Other cognitive-related barriers to learning that have been highlighted in the literature on Russia include tendencies towards pride (Czinkota, 1997), chauvinism (Camiah and Hollinshead, 2003) and insufficient frames of reference to absorb market-based knowledge (Engelhard and Nägele, 2003).

Organisational context

As a general summary regarding the transformation of management in CEE, Martin (1999) describes four major trends that have occurred in management strategies at the enterprise level. These consist of firstly, a response to market signals in place of bureaucratic requirements; secondly, decentralisation, management autonomy and the emergence of new managerial functions; thirdly, the increase in interfirm relationships; and fourthly, the development of managers as a professional group. In other transformation literature, the typically centralised and formalised organisational structures that were established during Communism have been shown to reinforce hierarchical relations (see e.g. Bollinger, 1994; Soulsby and Clark, 1996). Whilst such structures are flattening and becoming more informal, particularly in private-sector enterprises, the organisational contexts of firms in CEE can still provide traces of the past. One such feature is the perceived lack of open communication amongst organisational members (see e.g. Pearce, 1991; Markóczy, 1994; Cyr and Scheider, 1996), which has in part been alleviated by intricate informal, personal networks (or '*blat*' in Russia) developed by managers (e.g. Child and Czeglédý, 1996; Michailova and Worm, 2003; Hutchings and Michailova, 2004). These kinds of organisational environments where communication behaviours contradict the sharing and receiving of knowledge have subsequently been referred to as 'knowledge sharing hostile' (Michailova and Husted, 2003).

A further inherited characteristic of organisational culture has been the resistance to new ideas and individual initiative that were previously suppressed by over-regulation and centralisation during Communism (Shama, 1993; Kenny and Trick, 1995; Michailova, 2002). Compounding such restrictions on innovation and change, and therefore the integration of new knowledge, has been the negative attitudes towards failure and making mistakes (Michailova and Husted, 2003) together with managers who have typically avoided taking responsibility for the inefficiencies of the old system (Pearce, 1991; Soulsby and Clark, 1996).

With regard to the ability of organisations and employees to 'absorb' the kinds of knowledge and technology that have been transferred to CEE, the evidence is very mixed. In general, however, it is not the recipients' knowledge level *per se* that has proven to be problematic, but rather the lack of contextual knowledge and experience relating to the principles and mechanisms of the market economy and modern management (Michailova, 2002; Engelhard and Nägele, 2003). Similarly, in relation to the education level of managers in CEE, it has not been the level of education, which has often been cited as very high (Camiah and Hollinshead, 2003; Peterson, 2003), that has frustrated attempts at organisational learning and

development, but rather the level of education in certain key business fields such as marketing and international business (Czinkota, 1997). Whilst countries of CEE are increasingly being recognised for their language skills, recent anecdotal evidence still points towards a shallow labour market for adequately skilled middle managers and, not unrelated, education systems that still exhibit the inefficiencies of the Soviet-era (*The Economist*, 2005a; 2005b).

Relational context

The complex, transitional and at times controversial nature of the relationship between the East and the West both pre- and post-Communism has inevitably had an influence on parent-subsidiary relationships within Western MNCs operating in CEE. Extant research into the characteristics of such relationships have identified, for example, that perceptions of group membership and the formation of in-groups and out-groups might help explain relationship behaviours (Michailova and Anisimova, 1999; Hutchings and Michailova, 2004), whereby the members of out-groups (e.g. Western expatriates) may have to confront above-average levels of paranoia, suspicion and distrust from their Eastern counterparts (Kets de Vries, 2001). The social distance that this kind of ‘them and us’ perception creates can frustrate attempts at knowledge transfer (Engelhard and Nägele, 2003) and, moreover, has been described to lead to a situation of ‘double-bind’ whereby the identity and commitment of host employees is torn between the local managers and the Western expatriate as a representative of the wider MNC (Michailova, 2002).

Critical Perspectives on Knowledge Transfer into Transforming Societies

Whilst the literature on knowledge transfer in CEE has made valuable contributions to the study of cross-border knowledge transfers and their associated impediments, this research has also begun to highlight a debate that exists regarding the interpretations of post-socialist developments in these regions. Not least controversial is argued to be the role that the West, whether it is governments or multinationals, is described or assumed to play in facilitating this process. Since the present study is positioned in this scope of transformational research it is therefore considered appropriate that the tenets of the ongoing debate are briefly discussed.

One of the ways to identify the debate that currently exists about post-socialist developments in CEE is to address the issue of semantics. Indeed, the terminology used in academic discourse about CEE and the role of Western MNCs has provided a window into more deep-

seated beliefs and assumptions about economic and societal developments, and more specifically about the role and process of Western knowledge transfers. The first criticism of extant research refers to the undefined usage of the terms ‘*East*’ and ‘*West*’. Although this criticism is not particularly new, Czeglédy (1996: 335) describes this classification as:

“... a tradition of imprecision which is dangerously close to becoming the accepted norm for the many authors content with drawing highly specific conclusions from large-scale social and historical processes. This is partly the problem of assimilating people, places, cultures and events into one giant catch-phrase of ‘East European Transformation’, or some such generality” .

Amongst other things, the critical question here remains how much longer should the common past that most of the countries of CEE share continue to dictate their group categorisation in future discourse. In view of the past and current cultural and economic variations within the CEE region, this terminology is argued to be over-simplistic (Camiah and Hollinshead, 2003). The second debate expressed through semantics is the distinction between conceptualisations of CEE ‘*transition*’ versus ‘*transformation*’. In their reviews of the literature on knowledge transfer and management learning in the CEE context, Clark *et al* (2001) as well as Clark and Geppert (2002) argue that this distinction reflects whether the research in question has been carried out under the auspices of the ‘economic transition’ model or that of ‘societal transformation’. In their distinction, they suggest that notions of ‘transition’ are grounded in economic, structuralist theories which define transition as an explicit shift from a socialist system to a predominantly Western, ethnocentric conception of capitalism. Within this transition paradigm, knowledge transfers are perceived as necessary, uncontested, one-way processes whereby Western expatriates assume the role of knowledge sender and/or teacher. The conception of ‘societal transformation’, on the other hand, is grounded in ethnographic and comparative institutionalist views on post-socialist developments and emphasises the human processes, conflict and heterogeneity that manifest themselves in knowledge transfers.

The third contentious issue over semantics relates specifically to knowledge transfers and the term ‘*transfer*’ in particular. Not unrelated to the ideological distinctions above between transition and transformation, Mikl-Horke (2004) argues, for example, that ‘transfer’ evokes perceptions of a unilateral process that would be better replaced by the term ‘diffusion’ to account for the existence of power and network relations, the interests of both actors and the

cultural aspects of change in CEE. Similarly, both Dobosz and Jankowicz (2002) as well as Bedward *et al* (2003) suggest that since knowledge transfers by their very nature involve bi-directional, mutual processes that this phenomenon might best be described as ‘translation’ in line with the previous ‘travel of ideas’ conceptualisation (Czarniawska and Joerges, 1996) in which culturally embedded knowledge is first dis-embedded and then re-embedded in the host context.

The positioning of the present study in light of the above debate is now briefly addressed along with its methodology and limitations.

Methodology

In reference to Clark and Geppert’s (2002) distinction between the ‘economic transition’ and ‘societal transformation’ approaches to studying knowledge transfer and managerial learning, the present study can be described as integrating elements from both schools. Features from the more structuralist ‘economic transition’ approach included in this study are the investigation of mostly formal, one-way Western knowledge transfers into CEE, the adoption of Finnish expatriates as key informants and basic assumptions about local management learning predominantly Western (or Nordic) principles and practices. Features of the more ‘socioeconomic transformation’ and comparative institutionalist school include the use of institutional theory to analyse the anticipated impediments to knowledge transfers, and the adoption of a semi-structured qualitative research design to allow for the more complex social and human processes of transfer to be reported.

Data collection

Data for the study was collected via 18 semi-structured telephone interviews with Finnish expatriate managers who worked in Estonia (n=9) and the Czech Republic (n=9). Contact information for the expatriates located in the Czech Republic was provided by FinPro. For the expatriates in Estonia, potential respondents were contacted through public business directories. Biographical data of the expatriate sample are shown in Table 1.

- Insert Table 1 about here -

Based on the aims of the study, the expatriate respondents were asked about the type of knowledge they are transferring to (or from). In addition, the respondents replied to questions on what they consider to be significant knowledge transfer impediments and about the wider impacts of knowledge transfers.

Data analysis

All interviews were recorded and fully transcribed. The interviews were then coded and analysed thematically using the aims of the study, including the knowledge transfer impediments framework, as a guide. Whilst the qualitative approach and semi-structured design of the present study rendered direct comparisons between the countries problematic, the differences that were considered significant are identified and discussed. In all cases, the main findings of the study are highlighted through the use of direct quotations.

The validity and reliability of the study were observed in a number of ways. In terms of external validity, theoretical rather than statistical generalisation was the aim of the study and was based on the in-depth qualitative data. Therefore the sample size for each country was determined by the data saturation point rather than sample size itself (Ezzy, 2002). The reliability of the study was strengthened through the adoption of a pre-tested, semi-structured interview format that had been successfully applied in a recent study amongst Finnish expatriates in Poland (Riusala and Suutari, 2004), but with additional questions relating to the nature of CEE transformation. Furthermore, all interviews were recorded, thereby creating a retrievable database that maintains a chain of evidence (Yin, 2003).

Limitations

This study should of course be interpreted in light of its limitations. Firstly, the study only expresses the views of Finnish expatriates. Whilst they are employed in different industries, by different types of organisations and in various functional capacities, it is feasible and indeed likely that different experiences would be found amongst expatriates from different institutional and cultural backgrounds. Secondly, whilst expatriates are often pivotal figures in cross-border transfers of knowledge, the present study does not address the possible respondent bias that may exist without verifying their accounts against those of local managers or employees. This is particularly salient in a region argued to represent the most challenging for expatriates (Smale *et al*, 2005) and which requires a heightened level of cross-cultural awareness (Fey *et al*, 1999). Lastly, by conducting research in two countries of CEE the study has been forced in

some regards to substitute depth for breadth. Whilst similar, more in-depth studies on any one of these countries would allow for more specific analysis and conclusions, it is argued here that such research already exists and too often dominates over those with more comparative designs.

Results and Discussion

In line with the three aims of the study, the results are presented and discussed below regarding the types of knowledge transfer, the perceived impediments to the transfers and lastly the nature of transformation.

Types of knowledge transfer

The knowledge transfers into Estonia and the Czech Republic were reported to take place in a variety of fields. In line with earlier research (e.g. Riusala and Suutari, 2004), these key transfers could be broadly classified into transfers of management knowledge, cultural knowledge, technical knowledge, marketing knowledge and HRM knowledge.

Starting with the transfers of **management knowledge**, these were reported to be taking place in all the affiliates interviewed. These were often stated in terms of the minimum that the companies needed to transfer, in order to facilitate the coordination of the company's international activities. This typically involved reporting principles but also included issues related to strategic and operations management. The extent to which management activities are integrated naturally depends on the type of MNC and thus on their integration intentions, but typically management knowledge is among the first types of knowledge to be transferred. The management development efforts typically involved also aims to share more responsibility with lower level managers, to adopt more team-oriented management principles, and to increase the level of self-initiative, responsibility-taking and customer-orientation:

“We have aimed towards broad development, adopting basic professional skills and management competencies [...]. With regard to management, the focus has been on interaction skills, independency, self-initiative and so forth; that you don't blame your subordinates but say that it is down to your own actions [...] and then an understanding of our business concept.” (Estonia)

“I have tried to teach them that managers do not have all the right answers. Don’t believe that it is like the old days when the manager knew everything. We discuss more about issues and make decisions together. We have tried to transfer that kind of team-oriented management culture here.” (Czech Republic)

The second core area of transfers related to **cultural knowledge**, often captured in the notion of company values. Conceptually, the expatriates frequently used the term culture in quite a broad sense, i.e. in their interpretation it can involve all kinds of more practical issues such as policies and practices as well. In the present study, the basis of categorisation was to follow the so-called subjective culture approach (e.g. Tayeb, 1994) in which the culture term is used in more subjective terms and the focus is thus on more subjective elements such as values. When talking about such subjective cultural issues, the expatriates’ comments reflected the key significance of corporate values as a vehicle for cultural knowledge transfer and integration, for example:

“My role is sort of to operate as an example for others. In that sense we transfer our way of working and our values.” (Czech Republic)

“At the early stages we thought that we could and should adopt the goal of having similar corporate cultures and similar values here like in Finland. We started with these kinds of values discussions [...] what should our values be in Estonia. As an outcome, we decided that we should have and must have the same values.”

Expatriates particularly stressed the importance of managing values in an international environment where cultural variation becomes more extensive. Without being able to change an affiliate’s priorities so that they are connected to common values, it was perceived as very difficult to implement any changes at the behavioural level. For example, one of the expatriates commented that:

“It is not before you have worked abroad that you really understand how big a meaning the (company) values have; only when you come to this kind of world where values are so different you realise it.” (Estonia)

The next core area of knowledge transfer was related to **technical knowledge**. The extent and type of needs for technology transfers naturally depended on the field of operations, but very often technological knowledge was among core knowledge that was transferred:

“Of course we transfer technical knowledge. For example, expert knowledge concerning information technology.” (Czech Republic)

The next most common types of knowledge transfers were **marketing knowledge** and **HRM knowledge**, but these were less frequently stressed as major areas of transfer:

“We have brought our marketing concepts here [...]. I think that Western companies have a competitive advantage at this when compared to local companies.” (Czech Republic)

“We transfer our HRM guidelines and policies, training material and so forth.” (Czech Republic)

‘Reverse’ knowledge transfers

When analysing the knowledge flows between headquarters and foreign affiliates, it should be acknowledged that such flows could take place in both directions. Nevertheless, existing research still often confirms that ‘reverse’ transfers are not nearly as extensive as those from headquarters to foreign affiliates. Typically, ‘reverse’ transfers still only include context-related information about local market conditions and other reporting-type information. In general, however, the type of knowledge flowing out of foreign affiliates is naturally related to the development level of the host context in which it is located as well as to the level of internationalization of the organisation itself.

In the present study, it appeared that cases of ‘reverse’ knowledge transfers to headquarters as well as ‘horizontal’ transfers to other foreign affiliates appeared more commonly in Estonia than in the Czech Republic:

“Knowledge transfers can also take place in the other direction. It is not only about flows from headquarters to the Estonian subsidiary. We have some products here in which we have invested from the beginning. Now the parent has noticed that they want to utilise that technology and we export that knowledge to Finland.”

“In particular when we talk about these ‘best practice’ issues, there are some issues that we have put into action here, then the business experiences that we have had in Estonia are transferred for the parent company to use [...]. There is this kind of active ‘push-model’ whereby we are actively in touch with people who are doing the same things as us and they (the other units) can use the experience that we have here.”

Interesting in this regard was the relative absence of such examples amongst expatriates in the Czech Republic. At least from the fairly small sample of respondents, it would seem that in comparison to the Czech Republic, Estonia's recently acknowledged 'high-flyer' status in CEE is being recognised and in some instances being rewarded through more strategic roles in the international transfers of organisational knowledge.

Knowledge transfer impediments

Following the framework of impediments to international knowledge transfers presented earlier, the findings are divided according to the four main categories of 'stickiness factors', namely characteristics of knowledge, the social context, the organisational context and the relational context.

Characteristics of knowledge

The first group of impediments is related to the type of knowledge which is being transferred rather than the context in which the transfer takes place. With regard to **teachability** the expatriates were quick to emphasise that the types of sophisticated knowledge they were transferring would be a difficult process in any unfamiliar context:

"It is not a question of whether it would be easier to transfer these kinds of issues (to different contexts). It is always difficult [...] no matter to whom we transfer these kinds of issues." (Czech Republic)

Indeed, the results relating to the nature of the knowledge being transferred to affiliates were very uniform. The expatriates, with very few exceptions, felt that the knowledge almost always comprised tacit elements and justified their presence. In this way, the knowledge simply could not have been transferred through other means such as written guidelines, thus also alluding to its frequent low degree of **codifiability**. For example:

"These transfers are definitely not possible, for example, through email or in paper form. You have to go there personally and use a 'hands on' approach [...] and then bring them (e.g. local managers) to the parent company. Otherwise it goes like 'water off a duck's back' and they do it in their own way anyway." (Czech Republic)

Similarly, it was pointed out that knowledge **complexity** (high amounts of multi-faceted and interacting elements) was commonplace and often contributed to the amount of challenges experienced in the transfer process:

“When we try to transfer the whole business concept of the company, it is really very complicated. There are millions of details involved [...]. Part of it is very complex knowledge.” (Czech Republic)

Social context

Starting with the **normative**, cultural context of the host country, several aspects which are connected to the success or challenges of knowledge transfers were highlighted. In line with the themes discussed in the theoretical review, issues related to the greater power distance in CEE compared to Finland were typically raised:

“The management culture here is much more authoritative. If I wanted to get some knowledge and I asked for it – in Finland I can go directly to, for example, the Project Manager – here you typically get the reply “ask my boss”.” (Czech Republic)

“If you look at this culture, the management is much more authoritative; there is less teamwork. It causes certain challenges to operations here when you require people to understand the bigger picture and inform each other about issues. Sometimes people hold onto information, and that is partly down to the exercise of power.” (Estonia)

The power- and politically-charged features of the working climate were also seen to hinder developments amongst people at the same organisational level and to cause problems in organisations that adopted structures where power was divided:

“These are very hierarchical organisational cultures. It is difficult for people at the same (organisational) level to achieve consensus [...] they need get the decision from higher levels. Status is a big issue and when decisions relate to issues of status you don’t always carry things out on the basis of what is the right thing to do. There is competition on who can decide what. This also impacts on knowledge transfers.” (Czech Republic)

In addition to these power-related issues, it was also indicated that there is a second common contextual dimension which impacts decision-making. This related to decision-making style being described as more direct and less planning-oriented:

“In Estonia people act in a simpler and more direct manner [...]. The aim is towards quicker and more direct decision-making. Here, we don't think, analyse and discuss so much and we don't aim for the same democratic decision-making processes as in Finland.”

A further normative issue which was often cited was the perceived lack of customer-orientation. It was often the opinion of the expatriates that employees are more oriented toward internal organisational guidelines based on authority and rules than towards providing more flexible, value-added solutions for customers:

“When I think about solving customers’ problems, the tendency here is that instead of trying to solve customers’ problems in a flexible manner, the focus is more on how to follow rules.” (Estonia)

The last key theme which came up, predominantly in the Czech Republic cases, was the extent to which organisations and individuals could rely on various types of formal and informal agreements:

“In Finland, when you shake hands with a customer without exchanging paperwork, you can be sure that the deal is done. Here, that does not apply at all. If they get a better offer from a competitor, even if we have a pre-contract (agreement), they will definitely jump on the competitor’s ride. Business is much more ‘raw’ here.” (Czech Republic)

These culturally derived discrepancies in what constitutes an agreement equally serve as examples of potential conflicts between the two countries’ **regulatory** environments – a second stickiness factor associated with a country’s social context. In this regard, legislation was consistently seen to present certain challenges for foreign companies trying to set-up and organise their business operations. First and foremost, the level of bureaucracy was described as higher in the two CEE countries than in Finland and thus it added to the difficulties faced by the expatriates:

“In Estonia and all over the Baltic States we are in a different legislation culture than in Finland. Bureaucracy is stronger here – when something is stated in old law it is followed as it is and is not interpreted (differently) at all. This leads to situations where many systems are very rigid and it is difficult to get approval.”

“There is first of all this bureaucracy [...]. One of the differences with regard to legislation is the openness concerning the development of new laws. It is not possible to see the draft versions here or for industry to give their reactions. Then suddenly there is a new law, which then has to be amended many times.” (Czech Republic)

It was also occasionally stated that legislation is used to protect local businesses and thus hinders the possibilities of foreign investors:

“There is also protectionism and nationalism. So you try to protect your own activities and you don’t always remember the ideas behind a free market economy. You just bring in new legislation which protects national businesses and which may hinder foreign investors.” (Czech Republic)

Nevertheless, most respondents were quick to point out that the situation has improved considerably over time. Particularly in Estonia, several respondents stressed that most challenges related to burdensome legislation have already disappeared:

“Estonia is a very liberal country with regard to many issues, and statutes have been kept pretty minimal. I don’t see any problems here.”

The prevalence of corruption has been a particularly sensitive feature of the regulatory environment in many countries of CEE. In the present study, corruption was discussed in a very negative light, but was clearly viewed by the expatriates as more apparent and deep-seated in the Czech Republic than in Estonia, for example:

“Corruption is the biggest problem here [...]. We have not taken that path – we have no bribe money from which we pay-off people. Our financial systems are totally transparent. But I know that in the construction business, for example getting construction permits and all kinds of issues related to the bureaucracy, if you do not use money there, then issues get delayed and become more complex.”

Organisational context

A host unit’s organisational context impacts on the success of knowledge transfer in three ways: at the general level, the practice-specific level and the level of absorptive capacity. Since the present study focused on a broad range of knowledge transfers which had taken place within the participating organisations, the major findings relate to the general climate

towards learning, innovation and change and the perceived level of the host units' absorptive capacity.

In essence, the expatriates typically viewed the **general** host organisational climate as fairly supportive insofar as the learning of transferred knowledge was concerned, although there were frequently some qualifying statements attached to such opinions:

“The general climate supports learning but maybe not so much innovativeness [...]. There are different forms of resistance to change, but within organisations that have younger people, changes are easier.” (Czech Republic)

The experiences were generally more positive in Estonia. Indeed, the expatriates sometimes described the organisational climates there as being even better than in other Nordic countries:

“If I compare this Finland-Estonia venture with the Finland-Sweden venture, it is the first one which operates much better, simply because Estonia is more innovative, learning oriented, and receptive than Sweden.”

The orientation towards learning was perceived to be very high in both countries, reflected in the largely positive reported experiences of the expatriates. This motivation to learn was also clearly seen as a factor that helped facilitate effective knowledge transfers to the CEE-context.:

“People want to learn and develop themselves [...]. Due to this young corporate culture, individuals have a huge desire to learn and many of them study besides work. People who have educated themselves during the old structure and have got a job, they want to find a new profession and to get more in-depth knowledge.” (Estonia)

Such accounts of self-development activities and the generally favourable climate for learning are also illustrative examples as to the level of **absorptive capacity** that is argued to directly affect knowledge transfers insofar as it impacts on a unit's ability to exploit outside sources of knowledge. Mirroring the findings on the general organisational climate, the respondents deemed the absorptive capacity of their respective host units to be of a decent standard:

“The level of education is very good here in Estonia [...] if there are any problems then they are more related to attitudes.”

“In our company the learning capacity is good enough.” (Czech Republic)

However, it was also pointed out that this depends on the knowledge transferred, the age of the employee in question and the organisational level. The last category of knowledge transfer impediments associated with the state of parent-subsidiary relations is turned to next.

Relationship context

One of the knowledge transfer stickiness factors related to the relationship context is the level of **trust** between host employees and headquarters. In the present study, trust was not seen to present many difficulties. Indeed, a clear majority of the respondents felt that the host units largely trusted headquarters which positively influenced their willingness to become involved with inward knowledge transfer processes. However, some notable differences between the generations of employees were also commented on:

“On the whole, I have not seen any suspicion surrounding the motives of the parent company, but then there is the older generation that has their education and experience from the old system; they are suspicious of everything. They always try to find some hidden motive between the lines.” (Czech Republic)

Within the relationship context, a further possible stickiness factor relates to the degree of **power dependence** between the foreign affiliates and the headquarters. In cases where dependency (e.g. for capital or resources) is high, this fosters a dependent relationship whereby fewer impediments to knowledge flows will exist. There was some degree of variation among the case companies in this regard, but in general the dependence was viewed to be relatively high:

“We are fully dependent on the parent company [...]. The parent company of course has a quite high authority concerning knowledge transfers and thus it is not often questioned [...]. It is respected in a healthy way; that they know about this business in Finland.” (Czech Republic)

The expatriate managers typically reported that employees in Estonia and the Czech Republic exhibit satisfactory levels of **commitment** towards their foreign employers and that this commitment had positive impacts on knowledge transfers:

“People are pretty committed [...]. I would say that this has an impact on knowledge transfers in the sense that those who are committed towards achieving their goals, those

people give feedback and communication flows well. Passive people do not communicate much in return.” (Czech Republic)

“The level of commitment is high and staff turnover is low [...]. When you have committed managers and employees they also create new knowledge. That develops our knowledge base and experience, and people have the courage to share that information openly both within the country as well as outside of the country.” (Estonia)

However, there were also more critical respondents, particularly in Estonia. Expatriates there pointed out that the labour market has been fairly tight and therefore employees are constantly on the lookout for better jobs. Subsequently higher staff turnover rates naturally create problems when new employees do not have the required knowledge to immediately begin work. In addition, it is difficult to ensure that key knowledge does not flow to competitors through changes in staffing:

“In our sector, staff turnover is higher than in Finland. When people come and go it is difficult to control what knowledge stays and what knowledge leaves the organisation. That is an extra challenge in knowledge transfers [...]. Some people are ready to change employer as soon as they get slightly better pay from elsewhere.” (Estonia)

Patterns of transformation

The final objective of the present study was to invite the expatriates to comment on the nature of transformation that has been taking place in CEE. Accordingly, questions were asked about transformation in general, the effects that knowledge transfers were having and about their own views on future development needs.

Expatriate perspectives on transformation

Expatriates firstly discussed the general nature and extent of transformation which has taken place within their assigned locations. The expatriates universally reported that a lot has already changed. In this way, the differences between the host context and other Western European market economies were no longer so starkly visible:

“The local level of education has risen, people’s service orientation has increased, and the basic understanding of business and finance has developed [...]. People are starting to understand that companies aim to make profit and to achieve the goals they set.” (Czech Republic)

The situation has changed dramatically. If we go back in time, then we had to discuss all the basic issues [...] now I have just recruited a local Finance Manager and I have not seen a manager so ready for a long time. There has been a big step forward [...]. Primarily there is a basic understanding of what the Western type of business is all about." (Czech Republic)

Another core area in which clear improvements were perceived to have taken place was managerial skills. This is not only related to the parallel development of education in CEE, but also due to the increase in the average length of employee experience in 'Western' business life and due to experiences filtering in from other foreign companies:

"If I had to choose something I would say professional skills and managerial skills. In particular, I am happy with managerial learning, accepting more independence and responsibility. I see this as a major development [...] but there is still room for improvement in these same areas like planning and goal orientation." (Estonia)

"I think that the management culture has become more open and direct. But the management culture does not change quickly." (Czech Republic)

As mentioned earlier, the differences between generations were described as significant and were sometimes incorporated into the organisation's recruitment strategy in order to circumvent potential mismatches in attitudes and ideology. When discussing the nature of transformation, the expatriates continued to refer to generation gaps as a way of benchmarking the changes that have taken place.

Impact of knowledge transfers on transformation

When discussing the impact of knowledge transfers, it mostly appeared that the expatriates viewed such impacts as being extensive in their local units:

"These transfers have had a big impact on the local unit. As an outcome the end customer has benefited from them in the form of better usability of products, and in that way it has improved their competitiveness in the marketplace." (Czech Republic)

The impact of foreign investment and knowledge transfer is not only limited to foreign affiliates but also includes spillover effects to the wider industry:

“Competition involves the copying of each other’s activities and learning from each other. Locals definitely learn from this [...]. We have been first to create many things in these markets and then they later become standards – this is the way it goes [...]. Internationalisation has a sort of purifying effect. How do I explain it – certain more suspicious businesses disappear and become more open, and operate according to official systems – they modernise.” (Estonia)

“This has contributed a huge developmental input into local business life and industry [...]. This has also had an impact on locals since there are a lot of subcontractors [...]. They (foreign firms) audit the operations of subcontractors, provide new quality standards and inform how issues should be carried out. Then they monitor results all the time and improve things.” (Czech Republic)

The impact of foreign organisations were also noted as taking place through changes in staffing, i.e. many people who had worked within foreign MNCs have changed their employer in favour of local organisations or have started their own businesses. These types of knowledge flows were described in the following manner:

“Some people have seen Western companies as development opportunities. Many have already realised that they now have achieved the required competencies and have left either to local companies or then have started their own companies. If you look at the present managers of local companies, quite a large proportion of them have worked within international companies at some stage.” (Czech Republic)

The impact of foreign MNCs was particularly stressed in the Czech Republic and Estonia since both have fairly small economies. In Estonia, it was described that there are fairly few larger local companies and thus its economy is tightly integrated with the world economy. With regard to SME’s the situation is of course different, but larger foreign companies can still influence the ‘rules of the game’ in each sector:

“In Estonia the impact (on local society) has been remarkable. If you look at our sector, all are from Sweden or Finland. All banks are from Finland and Sweden, the same as with insurance companies [...] in that way Estonia is sort of a subsidiary economy when you look at bigger companies.”

Future development needs

The interviews with the expatriates concluded with questions regarding their views on the future development needs of their host unit and the personnel and thus on the kinds of ongoing knowledge transfers. Amongst the key remaining concerns, the need to further develop business logic was commonly cited:

“I would say that there is still a need to develop commercial thinking [...]. The competencies of local entrepreneurs are pretty low in this area. They do not understand such issues as financial credibility and how it impacts on the success of a company.”
(Czech Republic)

“The younger management generation is already pretty good, but there are still limitations in general management and business competencies.” (Czech Republic)

As indicated earlier, the general comprehension and understanding of a market economy and the associated management skills were often cited as areas which have witnessed the most significant developments. Nevertheless, these same areas also arose as targets for continued improvement:

“Knowledge transfer needs related to managerial skills at the middle management level, and process management [...] in these areas we have big needs. Then there are development needs at the personal competence level [...] skills related to leadership, team building and so forth.”(Estonia)

In addition, it was highlighted that due to historical constraints it is still difficult at the lower management levels to get people to accept personal responsibility and not only for individual actions, but team-level responsibilities as well:

“When you go to the middle managers and others, there we have to clarify the connection between responsibility and action. There is a dilemma that everyone wants power, but assuming responsibility is another issue. One also has to take responsibility and that means you do things together and develop your own teams.” (Estonia)

A more specific suggestion for further training and knowledge transfer appeared to be in sales and marketing skills. It was pointed out that such skills are not as widespread as one would like. Overall, customer-orientation and innovativeness were also seen to be areas that occupied a lot of the expatriates' time and energy:

“Development needs relate to sales and marketing knowledge, and in understanding the bigger picture.” (Czech Republic)

Corruption was one of the major areas which were still seen to be a problem, and reflecting earlier comments, came up much more commonly in the Czech Republic than in Estonia:

“They should learn certain business ethics and trust in agreements [...] otherwise the climate of mistrust increases further [...]. And close to this is corruption, but it will take a generation before it disappears, if at all.” (Czech Republic)

Lastly, due to the increasing globalisation of business, it was also stressed that local markets, companies and managers should become more international in order to be in a better competitive position over the longer term:

“The other issue is the need to internationalise their markets, which are still at a fairly low level in most industry sectors.” (Czech Republic)

“In this sector the need is for [...] bringing in that kind of internationalisation and customer-oriented service culture, building long-term customer relations and risk management in these areas.” (Estonia)

Having reported the findings relating to the objectives of the study, we now turn to drawing some key conclusions.

Summary and Conclusion

The present study has applied a qualitative, knowledge transfer approach to revealing insights into the nature of post-socialist transformation in two countries of CEE – Estonia and the Czech Republic. It was intended that by investigating, through expatriates, the types, direction and impediments of knowledge transfer between a foreign parent and its host units in CEE that some ‘front line’ accounts could be reported regarding the prevailing business climate in these transforming contexts. For purposes of balance and perspective, the interviews were designed to elicit references to the past, present and future.

With regards to the *first* objective of the study, the types of knowledge being transferred to and from CEE host units were identified. Whilst the CEE country context was largely seen to

explain the types and direction of transfers, the type of MNC and its corresponding emphasis on integrative activities was also found to determine the volume of knowledge transfer. The country-related justifications for types of knowledge transfer were particularly strong in the high number of cases where management knowledge was transferred. More specifically, knowledge transfer needs were commonly highlighted in the areas of developing self-initiative, assuming responsibility and greater customer-orientation. The MNC-specific motives behind knowledge transfer were most noticeable in transfers of cultural knowledge where expatriates were used as bridge-builders and role models in the implementation of organisational practices and corporate culture. In these transfers, it was often argued that similar transfers would be necessary in any foreign unit since the key objective was to align organisational practices and values. In this sense, the units in Estonia and the Czech Republic had the same knowledge transfer needs as many other places, only their starting points were different. In terms of 'reverse' knowledge transfers, expatriates based in Estonia were able to cite several good examples whereas in the Czech Republic none were identified. Such examples in Estonia were occasionally accompanied with critical views on the assumptions underlying knowledge transfers from the parent. Indeed, in some cases the expatriates were critical of their own organisation in failing to read the signs that the Estonian unit had much to offer the rest of the MNC.

Knowledge transfer impediments were the focus of the study's *second* objective and were investigated using the knowledge transfer stickiness framework. Here, the expatriates' presence was justified through common references to the tacitness and inherent complexity of the knowledge being transferred. In relation to the CEE 'social' country context, mismatches in 'normative' values could be identified in the areas of attitudes to authority, decision-making autonomy and customer/service-orientation. On the 'regulatory' dimension, the bureaucracy in both countries was described as challenging, sometimes discriminatory but vastly improved. Citations of corruption from expatriates in the Czech Republic seem to demonstrate that certain countries have made more progress than others in this area. Interestingly, at the 'organisational' level, positive evaluations were given by most of the respondents. Despite differences indicated between industries and generations, the level of motivation towards learning and the units' absorptive capacity in both countries were described as favourable with few impediments cited. The 'relational' impediments were somewhat more varied. Levels of trust and MNC identification were not described as significant problem areas since MNCs often possessed good reputations in their local

communities. However, this did not always translate into high levels of commitment. Particularly in Estonia, the longer term growth rate the economy combined with a tight labour market for skilled employees has reportedly led to frequent movements of staff in search of better salaries and career opportunities, which causes extra challenges in training new staff and retaining key organisational knowledge.

The final objective sought to capture the nature of transformation in CEE as perceived by expatriates, including their views on the future development needs of their host environments. Overall, the expatriates collectively attested to the widespread changes that have taken place in the region, both as a result of institutional developments and as a result of their own activities. However, the reoccurring themes that came out of the discussions regarding transformation were heterogeneity and the generation gap. Reflected in the predominantly 'mixed' responses to most questions concerning the transformation, heterogeneity appeared to be a common, albeit implicit, conceptualisation of post-socialist transformation and its outcomes. A popular means used by the respondents to understand and explain such heterogeneity was the generation gap. Frequent references to the differences between pre-socialist 'old' and post-socialist 'new' generations of employees were used when explaining a range of issues including values, corruption, learning orientation, education, specific managerial skills and international exposure. Indeed, the differences are regarded as so distinct and meaningful that foreign firms are described to engage in various forms of age discrimination, for example when devising their recruitment strategy.

The comments relating to future development needs also reflected the heterogeneity and generation gaps above with several different areas cited for further improvement. Interestingly, whilst the attainment of key business competencies and a greater appreciation for the implications of a free market economy were cited as areas of big improvement, they were also highlighted as needing continued attention. In this regard, the learning of core business skills such as management and marketing, the greater internationalisation of the region's markets and its workforce, together with the eradication of corrupt practices, were suggested to facilitate this ongoing process. Although there are signs that the younger generation are embracing these challenges, the respondents also suggested that this same generation of enthusiastic and learning-oriented managers will be posing significant competitive challenges for Western economies such as Finland in the very near future.

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Figure 1: Stickiness Factors in International Knowledge Transfers through Expatriates.

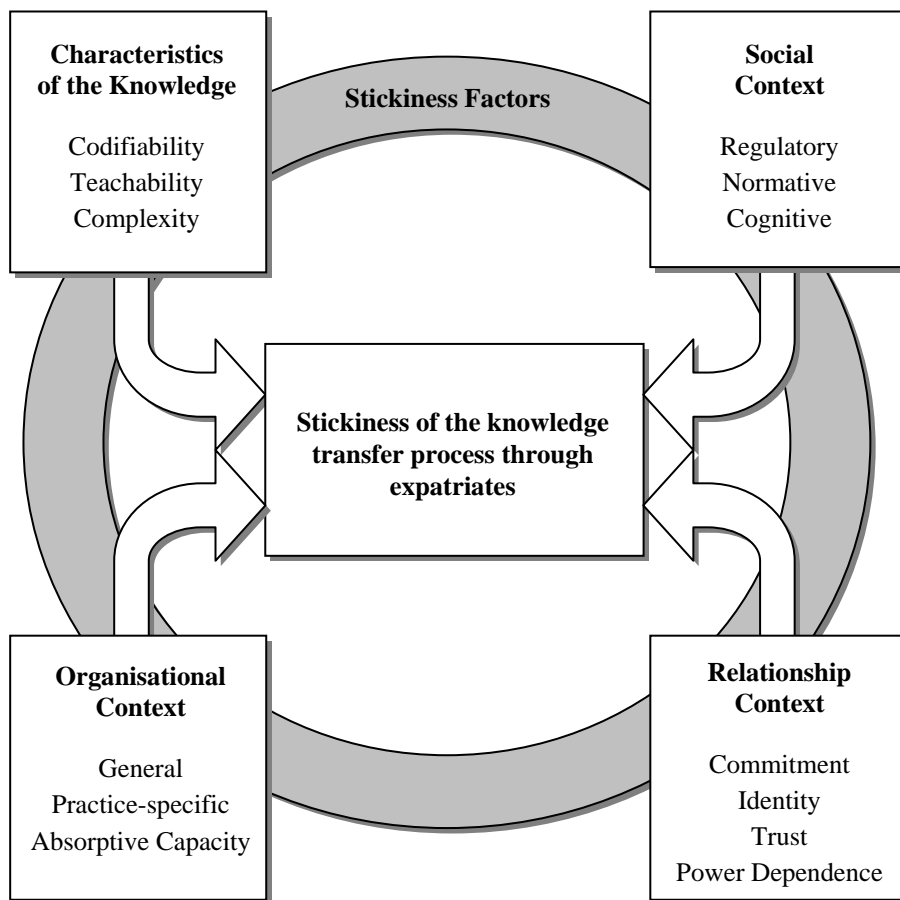


Table 1: Biographical data of Finnish expatriate sample

| Interviewee | Age | Position | Industry Sector | Length on current assignm. (years) | Size of unit (employees) |
|---------------|-----|----------------------|-----------------|------------------------------------|--------------------------|
| Expatriate 1 | 37 | Marketing | ICT | 2.5 | 70 |
| Expatriate 2 | 53 | CEO | Manufacturing | 2.5 | 200 |
| Expatriate 3 | 39 | CEO | Metals | 2.5 | 100 |
| Expatriate 4 | 54 | Integration Manager | ICT | 3 | 100 |
| Expatriate 5 | 37 | CEO | ICT | 3 | 300 |
| Expatriate 6 | 50 | CEO | Manufacturing | 0.75 | 97 |
| Expatriate 7 | 51 | Subsidiary Manager | Energy | 3.5 | 80 |
| Expatriate 8 | 34 | Marketing | ICT | 2 | 70 |
| Expatriate 9 | 45 | CEO | Manufacturing | 3 | 30 |
| Expatriate 10 | 35 | CEO | ICT | 9 | 350 |
| Expatriate 11 | 40 | Country Manager | ICT | 6 | 50 |
| Expatriate 12 | 35 | Regional Manager | Retail | 6 | 1000* |
| Expatriate 13 | 49 | Subsidiary Manager | Banking | 2 | 2 |
| Expatriate 14 | 46 | Regional Manager | Food | 3 | 1800* |
| Expatriate 15 | 51 | Relationship Manager | Banking | 1 | not known |
| Expatriate 16 | 37 | CEO | ICT | 4 | 4000 |
| Expatriate 17 | 42 | CEO | Food | 2 | 171 |
| Expatriate 18 | 35 | Regional Manager | Retail & Manuf. | 8 | 60 |

* Indicates size of units in the Baltic region