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Contextualising the Individual in International Management Research: Black Boxes, Comfort Zones and a Future Research Agenda

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CONTEXTUALIZING THE INDIVIDUAL IN INTERNATIONAL
MANAGEMENT RESEARCH: BLACK BOXES, COMFORT ZONES AND A
FUTURE RESEARCH AGENDA

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Abstract

In this paper, I call for further contextualization of the individual in international management research. In this “opinion piece”, my goal is to stimulate debate and elicit a thoughtful reaction. Accordingly, this paper aims to provoke and excite, rather than review and summarize. On the basis of my own work and the work of my colleagues, I critically reflect on arguments previously made in this line of research, and illustrate the nuances that become apparent when we: (a) purposefully introduce individual heterogeneity into the research model and (b) use context heterogeneity as a source for theorizing and avoid post hoc contextualization.

Keywords: individual, context, MNC, multi-level, micro-foundation

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INTRODUCTION

If we are to advance our understanding of the underlying factors that cause variation in individual behavioural responses, we need to push for further contextualization of the individual. This argument is not new. However, as I argue below, both individual heterogeneity and the heterogeneity of the immediate context in which that individual is embedded are underutilized in international management studies. In this line of research, the individual is commonly treated as a black box, while the colourful variation of the immediate context in which the individual is operating is presented in a monolithic grey. Therefore, rephrasing Becker and Huselid (2006), I call for more work that pushes international management scholars out of the comfort zone in which they assume the presence of an average individual in an average context.

In the following, I use my own work and the work of my colleagues to critically reflect upon the arguments made in the extent research and to illustrate the nuances that could become apparent if we were to: (a) intentionally introduce individual heterogeneity into the research model as opposed to acknowledging it as an empirical limitation and (b) use context heterogeneity as a source for theorizing and avoid post hoc contextualization.

INDIVIDUAL HETEROGENEITY

Conceptually, the argument for building theoretical models that account for individual heterogeneity has been widely discussed in the debates on the need for building micro-foundations in strategic management research (e.g., Abell et al., 2008; Foss, 2011). That stream of literature argues that there are no conceivable causal mechanisms in the social world that operate solely on the macro level. Accordingly, while convenient empirical shortcuts in the form of correlations between macro-level phenomena at level $n$ are tolerated, true theoretical
explanations of a phenomenon must ultimately be grounded in explanatory mechanisms at the \( n \)-level. This is necessary because there are likely to be many alternative lower-level explanations for macro-level behaviours that cannot be rejected through macro analysis alone. Even if a large sample can be constructed on the basis of macro units of analysis, a problem of alternative micro-level explanations may persist.

One might question why we should focus on individuals or why we should use individual level as \( n \)-1 level. I argue that the explanatory mechanisms in international management studies should be grounded at the individual level if: (1) the causal relations assume any kind of behavioural responses from individuals and (2) most of the heterogeneity is observed at the individual level.

Let us start with the latter argument. International management scholars, who focus on understanding knowledge flows across borders, have long been exposed to the argument that a full understanding of intra-organizational knowledge transfer requires a focus on individuals, including individual heterogeneity (Felin and Hesterly, 2007), individual-level motivations (Bock, Zmud & Kim, 2005; Osterloh & Frey, 2000) and interpersonal interactions (Argote & Ingram, 2000; Felin & Foss, 2005). In essence, these studies collectively suggest that firm-level phenomena, such as intra-organizational knowledge transfer, emerge from individuals’ actions and interactions, as individuals are the primary repositories of knowledge. For example, Foss (2007, p. 43) argues that a deeper understanding of intra-organizational knowledge processes “cannot be reached in lieu of a starting point in individuals”. Felin and Hesterly (2007) add that explanations of organizational-level phenomena should be grounded in explanatory mechanisms that are located at the individual and interpersonal levels. The micro-focus has also been advanced through the emerging knowledge governance approach (KGA) (Foss, 2007; Grandori, 2001; Peltokorpi & Tsuyuki, 2006), which responds to the ‘methodological collectivism’ that
currently dominates knowledge-based research (Foss, 2007; Gooderham, Minbaeva & Pedersen, 2010). If we wish to revisit previous work that intentionally or unintentionally black-boxes individuals, these perspectives may be beneficial. The aim of such of an undertaking should not be to point out mistakes, but to become wiser today than we were yesterday.

For instance, I recently had an opportunity, together with my colleagues, to re-visit our work on subsidiary absorptive capacity (Minbaeva et al., 2003). In hindsight, we acknowledge that we should have treated absorptive capacity as a multi-level construct (Minbaeva et al., 2014), as the capacity to absorb knowledge ultimately resides within the minds of individuals and teams, while synergies are manifested at the organizational level. Moreover, absorptive capacity is not only a multilevel construct but also a latent construct in most of the models on knowledge sharing and transfer within MNCs. Even within a single organizational unit, such as a subsidiary, a full understanding of this concept requires an understanding of the potentially strong interdependence between an individual’s action and the actions of others in the same context, particularly when individuals take other individuals’ actions into account. This highlights the need for a better theoretical understanding of the interplay among the different levels and gives rise to a number of relevant questions: What is unique about absorptive capacity on the individual level? How is a group’s absorptive capacity formed? If absorptive capacity on the organizational level is not the sum of the employees’ absorptive capacities, then what is it? Theoretical development of these issues seems necessary if we are to conduct better empirical studies of absorptive capacity in the future (Minbaeva et al., 2014).

Reiche and Pudelko (this issue) criticise the existing literature for adopting undifferentiated actor focus specifically in the studies on boundary spanners. Traditionally, boundary spanners have been defined as “individuals who operate at the periphery or boundary of an organization,
performing relevant organizational tasks and relating the internal organization to external elements” (Leifer and Delbecq, 1978, 1530). Often boundary spanners are defined as individuals who engage in significant transactions with out-group members, being opposite to individuals who facilitate in-group transactions and manager in-group conflicts (Richter et al., 2006). The function of a boundary spanner is seen as twofold: “first, to maintain a high level of contact with the external information and gather information from it; and, second, to maintain high levels of contact with the internal organization and thus filter, translate, and diffuse external information to it in terms that can be understood by his or her colleagues” (Zhao and Anand, 2013, 1517).

Mudambi and Swift (2009) point out that boundary spanners also exist within the organization, and that is especially true for complex, multi-unit constituencies such as MNCs. Within MNCs, boundary spanners alleviate information asymmetry, reduce perception gap and increase trust between HQ and foreign subsidiaries, “while enabling MNCs to take strategic advantage of the pressures created by the global integration versus local responsiveness quandary” (Schotter and Beamish, 2011, 254). The majority of the existing large-N studies have mainly focused on expatriates and repatriates as boundary spanners and their role in facilitating knowledge transfer between HQ and the focal subsidiary contributing to vertical and reverse knowledge flows, respectively (e.g. Reiche, 2011; Reiche et al., 2008). Moreover, this research has mainly documented positive contributions of boundary spanners to MNCs performance. For example, Schotter and Beamish (2011) argue that the boundary spanners able to reduce the risk of dysfunctional conflict and contribute to the development of inter-organizational trust between headquarters and foreign subsidiaries. Notwithstanding the overall contribution of the previous studies arguing for positive contributions of boundary spanners to intra-MNC knowledge sharing, their overarching message (once an individual becomes a boundary spanner, his/her
contribution to the intra-MNC knowledge sharing will always be positive) needs to be further investigated.

Above I also argued that the explanatory mechanisms in international management studies should be grounded at the individual level if research model assumes any kind of behavioural responses from individuals to, for example, internal or external organizational stimuli. In general, international management research has taken a relatively collective (i.e., aggregate, reduced form) approach, reasoning in terms of “global processes”, “systems for managing people” and “HRM architecture”. However, in an increasing number of studies published in international management outlets, such as *EJIM*, the focus has shifted towards the implementation of managerial practices within MNCs – across international borders (e.g. Festing and Barzantny, 2008; Peltokorpi and Vaara, 2012). Some practices are implemented to change certain processes (e.g., TQM, balance-scorecard, lean), while others are applied to modify the behaviour of individuals (e.g., productivity, creativity, engagement, turnover, group-level outcomes). Careful theorizing about individuals’ responses is crucial for research on managerial practices aimed at affecting behavioural outcomes, regardless of the purpose. This call is particularly timely given the recent interest in building micro-foundations in the related field of strategic management (e.g., Abell et al., 2008; Teece, 2007), as well as the increasing interest in multilevel modelling in general (Hitt, Beamish, Jackson and Mathieu, 2007; Mathieu and Chen, 2011; Molloy, Ployhart and Wright, 2011) and in international business (Peterson, Arregle and Martin, 2012).

As an example, let us consider the implementation of HRM practices in MNCs. The HRM practices derived from a strategy are designed and applied at the organizational level but typically “operate through individual level employee reactions” (Gerhart, 2005: 177). To stimulate multi-level thinking in future studies, some researchers suggest theoretically
distinguishing among intended (by the headquarters), implemented (at the subsidiary) and perceived (by individuals) HRM practices (see Figure 3 in Minbaeva and De Cieri, 2014). Wright and Nishii (2007: 11) define intended HR practices as those that are “tied directly to the business strategy or determined by some other extraneous influences”. Intended HR practices are derived from the global HR strategy in the sense that top management and corporate HR seek to design an HRM system (a set of HR policies) consisting of practices that, in the opinion of the main decision makers, “will best elicit the kind of affective, cognitive and behavioural responses from employees necessary for organizational success” (Wright and Nishii, 2007: 10). Wright and Nishii (2007: 11) distinguish such practices from implemented practices, which they define as those that “are actually implemented”, and perceived practices, which are those that are “perceived and interpreted subjectively by each employee”. As Wright and Nishii (2007: 10) suggest, “not all intended HR practices are actually implemented, and those that are may often be implemented in ways that differ from the initial intention”. The differences between intended and actual/implemented HR practices result from a number of external and internal antecedents that lead to variations in the implementation of HR practices across organizational borders. Individuals’ reactions to implemented HR practices also vary, which may explain differences in the perceptions of those practices. In other words, variations in individuals’ perceptions of HR practices can be explained by variations in the schemas they employ when perceiving and interpreting HR-related information (Wright and Nishii, 2007). Careful theorizing about the differences between intended, implemented and perceived practices and, most interestingly, about the antecedents of such differences can open doors in many promising directions (see Table 2 in Minbaeva, 2013).
Overall, the intentional introduction of individual heterogeneity into research models calls for the use of multilevel theorizing and modelling in international management research. However, as Mathieu and Chen (2011) suggest, multilevel theorizing and modelling is an evolving paradigm that should not be viewed as a panacea or a silver bullet. Further theoretical development is needed with respect to such areas as multilevel theory, construct validity and the development of measures, and research design and analysis.

Greater contextualization of individuals with the help of multilevel theorizing would be helpful in advancing the agenda presented by Reiche and Pudelko (this issue). They pointed out at the need to pay specific attention to research at the intersection between organizational, team and individual actors, particularly in the studies on the geographically dispersed teams in different types of MNCs. Generally speaking, the aggregation from micro to macro must take the potentially strong interdependence between the actions of an individual and those of others in the same context in account. Understanding and explaining such interdependencies have proven to be a “main intellectual hurdle” (Coleman, 1986: 1323). The process shall begin by careful examining of the individual behavioral responses and then examining how those could be potentially fine-tuned to achieve positive collective (team and organizational) outcomes. The interdependencies are particularly important when actions (individual behaviors) are explicitly “strategic” in the sense that actors consider the actions of other actors (e.g. intergroup leadership).

CONTEXT HETEROGENEITY

My second out-of-the-comfort-zone push factor is a call for the use of the immediate context heterogeneity as a source for theorizing. There are two types of studies: those aiming to
contextualize existing theory ("theories in context", "context-embedded theories" in Whetten, 2009) and those theorizing about the effects of context ("theories of context", "context-effect theories" in Whetten, 2009). The use of the context as a source for theorizing provides international management researchers with an opportunity to make a more compelling theoretical contribution (Cheng, 2007).

The heterogeneity of the context is often acknowledged, but it is seldom used as an input for theorizing. For example, two decades have passed since Rozenzweig and Nohria (1994) introduced their definition of a multinational corporation (MNC) as “a nexus of differentiated practices” (p. 230). In the review of the literature, we find more than 150 papers citing their work pursue the agenda identified by Rozenzweig and Nohria (1994): “to provide a more thorough understanding of the forces that influence HRM in MNCs, and more generally, to shed light on the determinants of management practices in MNCs” (p. 230). In the reviewed studies, it was confirmed that the extent to which (human resource) management practices implemented across subsidiaries resemble the HQ-originated practices varies, and that this is most strongly influenced by forces of local isomorphism, especially institutional differences (Björkman, Fey and Park, 2007; Gooderham, Nordhaug and Ringdal, 2006). Notwithstanding their contribution, the reviewed studies suffer from a significant limitation: they seldom move beyond identifying the extent of variation (i.e., how much HRM practices implemented in subsidiaries differ from those designed at HQ) towards an understanding of the ultimate underlying reasons for that variation (i.e., what causes variation in HRM practices implemented in subsidiaries).

Let us use the context as a source for theorizing and then revisit the basic question: What might trigger variation in the implementation of practices? The new institutionalist tradition and institutional theory have been extremely influential in improving our understanding of the
reasons for variation in implementation of HRM practices in subsidiaries (Hotho, Minbaeva, Muratbekova-Touron, and Rabbiosi, 2013). Most of the recent advances acknowledge the duality of institutional logics and the existence of conflicting institutional pressures. This development is important because it highlights the fact that individuals are often simultaneously embedded in multiple institutional orders that dictate different rationales for decision making (Ocasio, 1997; Thornton, Ocasio & Lounsbury, 2012). In fact, institutional logics are the dominant frames of reference that shape rational, mindful behaviour in a social context (Thornton & Ocasio, 2008). As they build on interrelated sets of symbolic meaning systems and material practices, institutional logics are rooted in specific social domains, such as the family, a religion or the market (Friedland & Alford, 1991). As institutional logics from different social domains, they often provide conflicting and incompatible rationales decision making and identity construction (Thornton, Ocasio & Lounsbury, 2012).

On the basis of the above, my co-authors and I argue that interactions with community members in the workplace may serve as social cues that expose individuals to the logic of the community (Hotho et al., 2013). Therefore, our interest lies in examining whether the ways in which individuals handle their obligations is contingent on the structural attributes of their social ties with community members. We find that individuals who are deeply embedded in highly pluralistic societies may experience multiple logics in a much more fluid manner than the "either-or" thinking that tends to dominate the current discussions in international management. Therefore, in addition to research into the alignment between individuals’ responses and intentions, we encourage studies that examine how individuals in pluralistic societies cognitively handle and reconcile multiple logics.
The use of context heterogeneity as a source for theorizing may also allow us to shed light on several controversies. For example, one area that attracts a significant amount of attention from international management scholars is global talent management (GTM) (Special issues of European Journal of International Management, Journal of World Business, etc.). When researchers speak of GTM, their discussions are generally premised on the assumption that internal talent systems and markets operate on a global, coordinated basis. Managers also often operate under the assumptions that talent is portable and that re-locating top talent within MNCs will result in immediate improvements in performance. In contrast, we argue that even when individuals who are viewed as top talent choose to relocate internationally, there is no guarantee that their high performance will be maintained in the foreign context (Minbaeva and Collings, 2013). While research on the global context is somewhat limited, a wider stream of literature points to the limited portability of performance. This is nowhere more prevalent than in emerging markets, such as China, India and Russia, where foreign and domestic companies compete for a handful of top talent. In fact, most emerging-market managers would state that designing an effective talent strategy is the most difficult part of their business. Why? Could the explanation be rooted in the fact that we do not account for the nature of the immediate context and its effect on some key concepts in GTM?

In our ongoing research, we have found that the very definition of talent is different in emerging-economy contexts. In other words, what constitutes “talent” in emerging economies and developing countries differs significantly from the definition of “talent” in developed economies. As one manager explains:

“I have this guy: he is 48 years old, barely speaks English, old school, but has great relationships with local authorities. Without him, none of our projects would ever be approved
by the local government. Then I have another guy: 32 years, western MBA, smart, fast, but has no idea of how to talk to our project partners. In fact, we joke that as long as we keep him inside our office walls, he will not create any damage. However, he can mobilize our project team and put together the best project proposal. Are they both “talent”? Yes, definitely. Can I compare them? No – at least not on the same standardized scales that I receive from the HQ.” (Managing director of a western subsidiary in Kazakhstan)

Managers can see the need to build a talent strategy that entails more than just a standardized approach to creating a committed, high-performing workforce. However, researchers still operate under the notion of a global talent strategy, and we still assume standardization of the definition of talent across MNCs, regardless of the immediate context in which the talent is embedded.

Another example of where contextualization is desirable is the research on multiple embeddedness. In MNCs, individuals are simultaneously embedded in several contexts, such as the specific context of the local subsidiary, the context of the MNC as a whole, and the external business-network context. The few studies that have focused on such multiple embeddedness (e.g., Figueiredo 2011) have adopted a unit-level perspective and investigated the effects of external embeddedness on intra-MNC processes without accounting for internal embeddedness, or vice versa. More recent studies also pointed out at the importance of internal embeddedness of the MNC unit within the internal MNC network (e.g. Yamin & Andersson, 2011). From practitioners’ point of view, as Reiche and Pudelko (this issue) point out, managing multiple embeddedness will require managing a range of relevant stakeholder interactions, such as government agencies, alliance partners, customers, suppliers, etc. Yet, our review indicates that in the IB literature relational embeddedness in the external network attracted most of attention and is often studied independently from embeddedness in internal MNC network (see e.g.
Andersson et al., 2001). This is surprising as MNCs advantage comes from the multiple or dual embeddedness (Figueiredo 2011) and bringing external local knowledge in (Almeida & Phene 2004; Tallman & Fladmoe-Lindquist, 2002). As a way forward, careful theorizing about the context and its effect could help to improve our understanding of the important and implications of managing multiple embeddedness. For example, one could argue that multiple embeddedness per se is not attractive and its positive effect on individual behavior should not be taken for granted as it is contingent upon the immediate organizational context in which this individual is located.

CONCLUSION

In recent years, we have seen a growing interest in multilevel research in international management, as many MNC phenomena are inherently multilevel in character. At the same time, we have seen greater attention paid to the individual in some areas (e.g., strategy, knowledge-based view, strategic HRM). However, studies that do both – contextualize the individuals – are still rare. I hope to see more research that connects different levels and carefully theorizes about individual behavioural responses to the impact of exogenous and endogenous factors. In our move towards this goal, this paper provides more questions than answers. My goal was not to address all of the potential issues and directions for future research, but rather to outline some important areas that international management scholarship should address.

REFERENCES


