

Knowledge Sharing vs. Knowledge Appropriation: A Case Study of Contingent Relationships in the Role of Boundary Spanners in Asian Subsidiaries of Japanese Multi-National Enterprises

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Abstract

In recent decades, Asian subsidiaries of Japanese manufacturing multi-national enterprises (MNEs) have faced heightened competitions from local firms to underscore the strategic importance of developing competent “host country nationals” (HCNs) to overcome their liability of foreignness. In addition, in recent literature on global MNEs, the importance of “boundary spanners” (BSs) has been pointed out in facilitating knowledge sharing across intra-organizational boundaries. Given these discussions, this study focuses on an interesting contingent relationship in the role of BSs observed in author’s interviews. i.e., In cases of “bad BSs,” “knowledge appropriation” can take place where newly promoted HCNs would monopolize their knowledge and information, and the mitigating processes of notion gap problem in grey areas management are heavily stagnated. Whereas in cases of “good BSs,” “knowledge sharing” would take place where newly promoted HCNs would be willing to share them with other members, and the mitigating processes of the notion gap problem are steadily progressed. The study proposes a framework illustrating conditions under which HCNs choose knowledge sharing over appropriation. The analysis identifies two key factors influencing this choice: dependence on personal skills and prospects for growth opportunities. The findings suggest a dynamic relationship where knowledge sharing leads to effective control and efficient knowledge transfer, fostering virtuous cycles, while knowledge appropriation results in inefficiencies, creating vicious cycles. The study calls for further research on dynamic aspects of this contingent relationship and suggests practical strategies for shifting from knowledge appropriation to sharing, thereby enhancing organizational performance in foreign subsidiaries.

Keywords: Boundary Spanners (BSs), Contingent Relationship, Knowledge Sharing, Knowledge Appropriation, Notion Gap Problem, Japanese Multinational Enterprises.

1.1. Main topic: “knowledge sharing” and two different approaches

In the past several decades, Japanese manufacturing MNEs (multinational enterprises) have increased their direct foreign investment

(DFI) to East Asian economies, as they have achieved high and sustainable growth to expand their local market. In the last few decades, however, local Asian firms have increased their technological capabilities to catch up with and/or

even exceed those of Japanese MNEs; thus, the competitive pressures from their local rivals have intensified in the face of difficulties in exploring their local market [JBIC (2023), SME Support Japan (2024)]. Accordingly, the strategic importance of HRM (human resource management) has been growing so that teams of competent HCNs (host country nationals) can be developed to overcome the liability of the foreignness of Japanese MNEs [Zaheer (1995), Hara (2022)].

Given these circumstances, it should be noted that, as the key aspect in the literature on HRM, knowledge sharing, or the degree of employees' engagement in knowledge sharing activities, has been recognized as an important process contributing to organisational performance [Foss et al. (2010), Llopis and Foss (2016), Andreeva and Sergeeva (2016)]. In their studies, possible links between human resource practices, the level of knowledge-sharing antecedents of employees, and their organizational performance have been examined to explore the strategic system of human resource practices that would promote the organizational climate for their knowledge-sharing behaviors, where those enhancing employees' abilities, fostering motivations, and providing opportunities to perform are their major categories.

On the other hand, in the recent literature on the management of global organizations or MNEs, the importance of knowledge sharing has also been discussed. However, in these studies, special attention has been given to the role played by certain individual employees, or "boundary spanners" (BSs) [Barner-Rasmussen et al. (2014), Schotter et al. (2017), Roberts and Beamish (2017)]. According to their discussions, MNEs are characterized by geographical, cultural, and linguistic fragmentation with intraorganizational boundaries, and the efficient crossing of these internal boundaries can be a source for their significant advantage, where "boundary spanners" can play crucial roles, as they are perceived by other members of both

their own in-group and/or out-group to engage in and facilitate significant interaction between the two groups. In their studies, the expected roles of boundary spanners as well as their required abilities were discussed. For instance, in Roberts and Beamish (2017), global boundary spanning was viewed as a long-term commitment to help internal members become aware of foreign knowledge practices, see these practices as valuable, and adopt them internally. Then, using the framework of scaffold building, boundary spanning was conceived as a combination of ability, persistent willingness, and opportunity.

1.2. Our focus: contingent relationship in the role of boundary spanners

Noting these discussions in the literature, the author conducted his own research interviews with Asian subsidiaries of Japanese MNEs to examine their ongoing efforts in terms of human resource and skill development and then observed an interesting contingent relationship for the promoted HCNs (host country nationals) in their role as boundary spanners as follows.

As a typical cultural boundary for Japanese MNEs in human resource and skill development, the gap in the notion of gray areas was discussed in Ishida (1982, 1986), where gray areas are defined as areas of tasks or jobs that are not clearly assigned to individual members. Here, Japanese employees (PCNs: parent country nationals) are relatively familiar with and capable of "flexible management" in these areas, whereas HCNs are relatively comfortable with and capable of "well-defined engagement" with clearly defined jobs or tasks; thus, owing to this misalliance, these gray areas in Asian subsidiaries are unlikely to be well managed by HCNs to cause significant inefficiencies in their daily operations as well as their human resources and skill development.

In fact, in most of the author's interviews in 1998 & 2002, this notion gap problem in gray areas management was identified as the major cultural boundary that would cause significant inefficiencies in the skill development of HCNs. Moreover, Japanese expatriates (PCNs) have

made various efforts to mitigate this gap problem, which can be summarized as a stepwise hybrid of (1) 1st-step static modifications (clarification of gray areas, e.g., preparing for user-friendly manuals and standardizing the skills and contents of tasks) and (2) 2nd-step dynamic modifications (enhancement of gray areas managing capability, e.g., QC circle activities and systematic development of multiple skills) [T. Hayashi (2005)] .

Then, in the author's interviews after 2007, similar to previous findings, the notion gap problem as well as the stepwise hybrid of static and dynamic modifications were observed, whereas an interesting contingent relationship of "knowledge sharing vs. knowledge appropriation" was also observed as follows. In some cases, the promoted HCNs play crucial roles as "boundary spanners", where "knowledge sharing" is observed. In other words, they had well acquired their gray areas managing capability, and they were willing to share their knowledge and information to offer their subordinate members sufficient learning opportunities to enhance their gray areas managing capability as a team. In contrast, in some other cases, the promoted HCNs would be reluctant to play their roles as "boundary spanners", where "knowledge appropriation" was observed. Even if they have acquired their gray areas of managing capability well, they attempt to monopolize their knowledge and information so that possible learning opportunities for their subordinate members are limited to stagnating their gray areas of managing capability as a team.

1.3. Research Question and Outline

Hence, with respect to this contingent relationship in the role of boundary spanners, this study performs a comparative case study to examine the mechanism of "knowledge appropriation (a case of "bad" boundary spanners) vs. knowledge sharing (a case of "good" boundary spanners)" in Asian subsidiaries of Japanese MNEs., i.e., the relative incentives of the promoted HCNs for

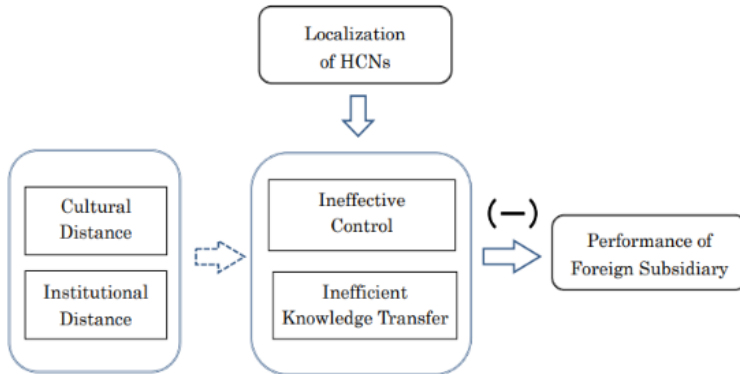
"knowledge appropriation vs. knowledge sharing" are examined to derive a set of conditions that affect their decision making. Furthermore, this set of conditions is explored to suggest further research topics on the dynamic perspectives of these contingent relationships.

In section II, which focuses on the relative incentives of promoted HCNs, the conceptual framework and a set of working hypotheses are proposed. In section III, the methodology and the four selected sample cases are explained. In section IV, the applicability of these cases to the proposed working hypothesis is examined to derive two key explanatory factors as well as a contrasting set of conditions that lead to the contingent relationship. In section V, the main results of the analysis are summarized, and possible topics for further research are suggested, which focus on the dynamic aspects of the contingent relationship on "knowledge appropriation vs. knowledge sharing."

Conceptual Framework and Working Hypothesis

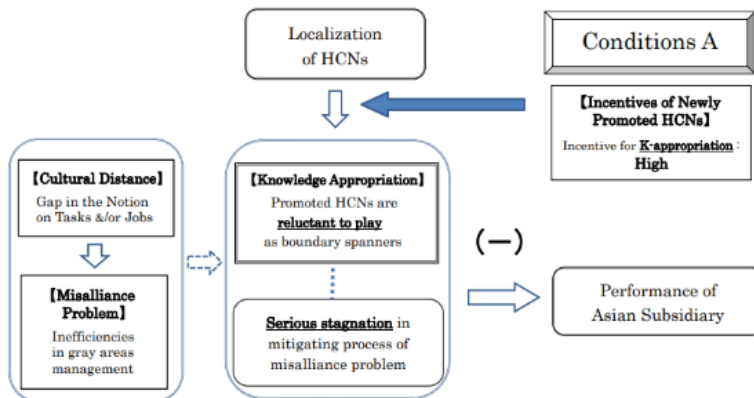
In this study, a pair of conceptual frameworks and working hypotheses is proposed, which extends the previous discussions on the "negative effects" of localization in the literature of international HRM, as shown in Fig. 1 (O'Donnell 2000, Gong 2003, Tan and Mahoney 2006, Wang et al. 2009, Ando 2014). That is, when HCNs are promoted to higher executives in MNEs, both positive effects (e.g., retainment of competent HCNs) and negative effects might take place. By examining the size of these effects, the major two negative effects of "ineffective control" and "inefficient knowledge transfer" are likely to be greater in the case of "greater cultural and institutional distances".

Fig.1 Negative Effects of Localizing HCNs



(Source) Author

Fig.2 (a) Case of “Bad” Boundary Spanners
Knowledge Appropriation & Negative Effects of Localizing HCNs (1)

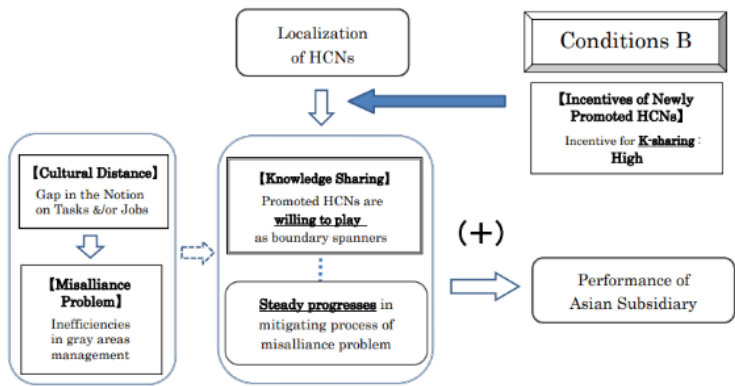


(Source) Author

In the interviews, when “knowledge appropriation” was observed, as shown in Fig. 1, the two major problems of “ineffective control & inefficient knowledge transfer” had taken place, where the promoted HCNs were reluctant to play their roles as “boundary spanners”, so that possible efforts for the stepwise hybrid of static

& dynamic modifications were heavily stagnated, as illustrated in Fig. 2(a). In contrast, when “knowledge sharing” was observed, as a mirror image of Fig. 1, the two major performances of “effective control & efficient knowledge transfer” were realized, where the promoted HCNs were willing to play their roles as “boundary spanners” so that ongoing efforts

Fig.2 (b) Case of “Good” Boundary Spanners
Knowledge Sharing & Positive Effects of Localizing HCNs (1)



(Source) Author

for the stepwise hybrid of static & dynamic modifications were steadily achieved, as illustrated in Fig. 2(b).

Following these discussions, “Fig. 2(a) vs. Fig. 2(b)” is proposed as the conceptual framework to illustrate the contingent relationship in the role of boundary spanners. Then, on the basis of this framework of “Fig. 2(a) vs. Fig. 2(b)”, the following working hypothesis is proposed to explore possible key explanatory factors to derive this contingent relationship.

HA: In condition A, incentives of the promoted HCNs for knowledge appropriations are relatively high, and then, “knowledge appropriation” is chosen by the promoted HCNs.

HB: In condition B, the incentives of the promoted HCNs for knowledge sharing are relatively high, and then, “knowledge sharing” is chosen by the promoted HCNs.

In section 4, using this framework, the applicability of HA & HB is examined. In cases of X & S, while possible efficiency losses due to “ineffective control & inefficient knowledge transfer” are illustrated, the first key explanatory factor that would lead to greater incentives for “knowledge appropriation” is explored. In the cases of Y & Z, while possible efficiency gains due to “effective control & efficient knowledge

transfer” are illustrated, the second key explanatory factor, which would lead to higher incentives for “knowledge sharing,” is explored.

Methodology and sample data

3.1. Methodology: Case study research with step-by-step coding

Given this conceptual framework, this study conducts case study research via a qualitative coding of a “step-by-step approach” (Sato, 2008), where both deductive and inductive coding styles are utilized for the following reasons.

First, the case study approach has been shown to be appropriate for theory building in research areas where theories have not been well developed (Eisenhardt 1989; Doz 2011; Yin 2018). As such, this factor seems applicable to our study, where the arising mechanism of a contingent relationship of knowledge appropriation vs. knowledge sharing is newly explored.

Second, as discussed in Sato (2008), inductive coding and deductive coding are not necessarily mutually exclusive, but they might be utilized simultaneously. In cases where key notions in the literature or those derived from

previous research are available and relevant, deductive coding can be applied. On the other hand, in cases where these notions are not yet available, inductive coding can be applied to explore new analytical notions. The author has utilized this “step-by-step coding” in his interview series, as summarized in Table 1, i.e.,

3.2. Sample data: theoretical sampling and our four sample cases

In selecting our cases, theoretical sampling (Eisenhardt and Graebner 2007) is applied; this approach selects cases that are particularly suitable for illuminating and extending relationships and logic among constructs to enable theory building. Here, because the purpose of our study is theory building with the framework shown in Fig. 2, the four cases X, S, Y and Z were selected.



First, case X was selected as the sample because knowledge appropriation was clearly observed, as shown in Fig. 2(a), and relatively

In each series of interviews, semi-structured interviews were designed, and deductive coding was applied to test key notions proposed in the literature and/or those derived from the author’s previous interviews, whereas inductive coding was applied to explore possible analytical notions to theorize new findings.

detailed information for decision-making by the promoted HCNs was available, where “a higher degree of dependence on personal skills and knowledge” (= 1st key explanatory factor) was noted to be crucial for the choice of “knowledge appropriation by newly promoted HCNs.

Second, case S was selected. This is because, like case X, knowledge appropriation was clearly observed, and the applicability of the 1st key explanatory factor was also noted (i.e., literal replication of case X), whereas an important yet different case-specific factor from case X was noted for her “higher degree of dependence on personal skills and knowledge”. In addition, a

Table 1 Author’s Interviews & Key Notions in each Interview Series

Key Notions in existing literature	Focused Notions derived from Interview findings	Series of interviews & 4 Sample cases	Deductive coding & Theory testing	Inductive coding & Theory building
Misalliance in grey areas management (Ishida, 1982)	Stepwise hybrid modification to mitigate possible misalliances	0. Preliminary Interviews * About 30 interviews were carried out in 1998 & 2002.	Misalliance problem in grey areas management	Two-Way Approach of static & dynamic modification
		I. 2007 & 2013 Interviews [Knowledge Appropriation] * Case X: 2007 [Knowledge Sharing] * Case Y: 2007 & 2013 * Case Z: 2007 & 2013	Stepwise hybrid modification to mitigate misalliances	
Negative effects of Localizing HCNs (O'Dnnell 2000, Gong 2003, Tan & Mahoney 2006)	Contingent Relation of K-Appro. vs. K-Sharing (Bad vs. Good Boundary Spanners)	II. 2019, 2021 & 2023 Interviews [Knowledge Appropriation] * Case S: 2019 & 2023 [Knowledge Sharing] * Case Y: 2021 * Case Z: 2021	Relative Incentives for K-Appro. vs. K-Sharing (Bad vs. Good B-spanners)	
				Contingent relation of K-Appro. vs. K-Sharing & explanatory factors
Linkages among 4 types of Knowledge Kim (2013)	Dynamic Pattern of Capacity Improvement in cases of Knowledge Sharing			Dynamic Change in Linkages among 4 types of Knowledge

(Source) Author

longitudinal dataset (2019 & 2023) was obtained so that relatively detailed information was available on her case-specific factors.

Third, Patient Y was selected. This is because knowledge sharing was clearly observed, as shown in Fig. 2(b), and the applicability of the 1st key explanatory factor was pointed out as the mirror image of case X (i.e., theoretical replication of case X). In addition, a longitudinal dataset (2007, 2013 & 2021) was obtained so that a dynamic change in the relative importance of the 1st & 2nd key explanatory factors was observed with detailed information on her case-specific factors.

Fourth, Patient Z was selected. This is because, like in case Y, knowledge sharing was clearly observed, whereas the first key explanatory factor was not applicable to this case. Instead, “a higher prospect for growing opportunities” (=2nd key explanatory factor) was newly noted to be crucial for the choice of knowledge sharing by newly promoted HCNs. In addition, a longitudinal dataset (2007, 2013 & 2021) was obtained so that relatively detailed information on case-specific factors for her high

prospects for growing opportunities could be obtained.

3.3. Data sources and overview of interviews

3.3.1. Data sources

We used the following three data sources for the four sample cases of X, S, Y and Z:

- 1) Qualitative data from semi-structured interviews with CEOs and/or top managers in 2007 (cases X, Y and Z) as well as their follow-up interviews in 2013 & 2021 (cases Y and Z) and in 2019 & 2023 (case S) were used.
- 2) E-mails were used to follow the interview results.
- 3) Archival data, including company websites and materials, were provided by informants.

3.3.2. Overview of the interviews

As described in section II, the author has conducted his research interviews with Asian subsidiaries of Japanese MNEs since 1998, which have aimed to examine the three elements of (i) major problems in HRM, (ii) ongoing efforts to mitigate and/or avoid problems as

Table 2 Overview of Interviewed Cases (1): Case X & Case S

	Case X (2007)	Case S (2019, 2023)	
Key information of interview 1) Date (Location of Interviews) 2) Location of subsidiary 3) Interviewee (Position, Nationality)	1) 2007.8.1 (factory in China) 2) South China 3) General manager (J ¹)	1) 2019.4.2 (HQ office in Japan) 2) Eastern China 3) President of J-Parent (J ¹) Acting President of J-Pa (J ¹)	1) 2023.8.25 (Online interview) 2) Eastern China 3) President of J-Parent (J ¹)
Japanese parent	* Manufacturing firm of components for automobiles & OA equipment ²⁾ * More than 300 employees	* Manufacturing & sales firm of plastic molding & casters * About 60 employees	* Same activity as in 2019
Overseas operations	* Many numbers of foreign subsidiaries in 15 countries around the world	* 1 subsidiary in China, and 1 subsidiary in Vietnam	* Same activity as in 2019
Overview of operations in subsidiary	* In 1994, it was started in south China as a manufacturing factory affiliated with Firm X's subsidiary in Hongkong * Production scale had been increased, and about 800 employees in 2007	* In 1998, it was established as a factory for a joint venture of firm S with firm T from Taiwan * In 2019, about 30 employees	* About the same production scale had been maintained as was in 2019
Historical evolution in subsidiary	<Shift in produced items> * Components for AV products ²⁾ → Components for OA equipment ²⁾ → Components for automobiles <Growing areas of operation> * Standardized & large-scale production → Initial stages of large-scale production → Evaluation of newly developed products	* Since 1998, it had been a manufacturer of key components of casters. * Market had been expanded from Japanese market to local market in China & other overseas market. * Scale of production had been Gradually increased.	* Because of gov. regulation, the factory had to be moved to a suburb area in 2019. * Even without enough tech. support from J-parent due to COVID, temporary factory was maintained, and new factory was started in 2022.

(Source) Author

[notes] 1) Nationality of interviewees: i.e., J: Japanese, C: Chinese
2) OA equipment: Equipment used for office automation (e.g., Personal Computers, Fax machines, etc.)
AV products: Audio & visual products (e.g., TV sets, VCRs, etc.)

Table 3 Overview of Interviewed Cases (2): Case Y

	2007 interview	2013 interview	2021 interview
Key information of interview 1) Date (Location of Interviews) 2) Location of subsidiary 3) Interviewee (Position, Nationality)	1) 2007.7.27 (factory in China) 2) South China 3) Factory manager (J ¹) Sales manager (J ²)	1) 2013.8.27 (factory in China) 2) South China 3) Sales manager (J ¹) Factory manager (J ²)	1) 2021.7.28 (Online interview) 2) South China 3) General manager (J ¹ , HK Subsidiary ³) Division head of produced items (J ¹ , J HQ ³)
Japanese parent	* Manufacturing firm of processed materials for electro. components * Less than 100 employees	* The same as in 2007 interview * Scale of production was in downturn as customer companies had been shifting their locations abroad	* The same as in 2007 interview * Scale of production had been almost unchanged since 2013
Overseas operations	* Only one subsidiary in Hongkong	* The same as in 2007 interview	* The same as in 2007 interview
Overview of operations in China	* In 1994, started in south China as a manufacturing factory affiliated with both local government and Firm Y's subsidiary in Hongkong * Scale of production had been steady and about 300 employees in 2007	* In 2011, it became a 100% affiliated factory of firm Y's subsidiary in Hongkong * Due to growing competitive pressures, scale of production was in downturn, and about 200 employees in 2013	* While local competitors were growing further, the scale of production in 2020 was higher than that in 2013 by 60%, mainly because of a growing trend for both (1) market for conventional use, and (2) new market for originally innovated use. * Number of employees decreased to about 160, as labour shortage for line operators was serious.
Historical evolution in subsidiary	<Shift in produced items> * Processed materials for AV (Audio visual) products → Materials for specific products → Processed materials for automobile components <Growing areas of operation> * Standard & large scale production → Product development with design drawings	<Produced items> * For basic processed materials, local competitors were emerging. * For highly processed materials, Japanese MNEs were still technologically dominant. <Growing areas of operation> * In product designing, transfer from Japanese HQ had been progressed. * As key positions in customer companies for their procurement sections had been localized, collaboration of HCNs between sales & design sections became crucial.	<Upgrading in produced items> * For the production of highly processed materials, the cost & quality performance for conventional items as well as the innovative capability for launching original new items had been enhanced. <Collaboration with competitive local suppliers> * In the procurement of some raw materials, there had been a shift from Japanese suppliers to local suppliers with competitive performance. * To cope with labour shortage problem in production line operators, implementation of labour saving equipment from local suppliers had been under consideration.

(Source) Author

[notes] 1) Nationality of interviewees: i.e., J: Japanese, C: Chinese
2) and 3) The interviewees with same note numbers are the identical persons.

Table 4 Overview of Interviewed Cases (3): Case Z

	2007 interview	2013 interview	2021 interview
Key information of interview 1) Date (Location of Interviews) 2) Location of subsidiary 3) Interviewee (Position, Nationality)	1) 2007.8.20 (factory) 2) East China 3) President (C ¹)	1) 2013.9.7 (business office) 2) East China 3) President (C ¹)	1) 2021.7.30 (online interview) 2) East China 3) President (C ¹)
Japanese parent	* Manufacturing firm of Processed textile products * Less than 100 employees	* The same as in 2007 interview * Scale of production was in downturn along with a declining trend of Japanese market	* The same as in 2007 interview * Scale of production was in upturn, as the development of new market products for children had been growing
Overseas operations	* Four affiliates in China and one sales branch in Hongkong	* The same as in 2007 interview	* The same as in 2007 interview
Overview of operations in China	* In 1993, started in east China as a foreign subsidiary of Firm Z * Scale of production had been steadily increased & 230 employees in 2007	* As for sales to Japanese market, those of larger scale production with fewer varieties for contract manufacturers were decreasing, while those of smaller scale production with more varieties for own market were increasing. * As for sales to domestic & global market, the number of customer companies had been gradually growing.	* The scale of sales for Japanese market was in downturn, as the competitive pressures from "fast fashion brand" had been intensified. * The scale of sales for domestic market was in upturn, as sales of higher value-added items had increased, where reliability for high quality and "100% responsiveness" to customers' requests were sources for our strength.
Historical evolution in subsidiary	<Upgrading as manufacturer> * 1993: Contract manufacturer arranged by Japanese trading companies * 1996: Indep. manufacturer with own local sales function * 2003: Indep. manufacturer with own sales & product designing functions	<Upgrading in product designing> * Collaborative and coordinating capability of "cross functional WG" had been enhanced to manage following issues in product designing. ① Higher flexibility in product designing, which was crucial for smaller scale production with more varieties in Japanese market ② Development of innovative product designs to appeal customers in domestic & global market	<Upgrading in collaborative capability> * Collaborative and coordinating capability of "cross functional WG" had been enhanced further to manage various challenging issues as follows. ① Speeding up the product designing, which was crucial for products of E-commerce market ② Joint project with two partner companies for developing innovative products using some non-traditional materials ③ Development of labour saving equipment to cope with labour shortage problem

(Source) Author

[notes] 1) Nationality of interviewees: i.e., J: Japanese, C: Chinese
2) The interviewee with a same note number is the identical person

listed in (i), and (iii) the historical development of (i) & (ii).

With respect to our four cases in this study, most of these interviews took 90–120 minutes, and all of them were transcribed. In addition, all

the interviews since 2021 were tape recorded. In these interviews, a semi-structured template was used, where the key notions listed as “deductive coding & theory testing” in Table 1 were explicitly considered, followed by open-ended questions for “inductive coding & theory building”.

Comparative analysis of the contingent relationships of boundary spanners

In this section, focusing on our 4 sample cases, the applicability of the framework of Fig. 2(a) and Fig. 2(b) is examined to illustrate the mechanism by which the contingent relationship of boundary spanners affects “knowledge appropriation vs. knowledge sharing” while deriving the two key explanatory factors as well as their underlying case-specific factors.

4.1. Two cases of knowledge appropriation: Case X & Case S

First, two cases of knowledge appropriation are examined. In these cases, consistent with the framework of Fig. 2(a), promoted HCNs would not have played their expected roles as boundary spanners, where the stepwise hybrid processes of mitigating the notion gap problem were heavily stagnated. By examining the possible factors that increase the incentive of promoted HCNs for knowledge appropriation, the “degree of dependence on personal skills and knowledge” was identified as the key explanatory factor for “Condition A” in Fig. 2(a), which is discussed in Fig. 3 & Fig. 4.

4.1.1 Case X: A case of a higher degree of dependence on personal skills and knowledge

<A sudden rise in the degree of dependence after starting a new sector>

As shown in Table 2, case X started operating in 1994 as a manufacturing factory of components for AV (Audio Visual) products. In this case, knowledge appropriation took place soon after the new sector of automobile components started, when the degree of dependence on personal skills and knowledge suddenly increased in the following manner.

The overview of these four cases is shown in Table 2--Table 4, where 1) key information, 2) Japanese parent, 3) overseas operations, 4) overview of operations in the subsidiary, and 5) historical evolutions in the subsidiary are listed.

When the automobile components sector was newly started in 2002, the core members of HCNs were requested by Japanese executives to shift from the OA (office automation) equipment sector to this new sector. However, some of them refused to take part in this shift and left the firm. As a result, the remaining core members’ degree of dependence on personal skills and knowledge suddenly increased. These remaining members were highly expected to play critical roles as boundary spanners to mitigate the notion gap problem, and they were promoted to higher management classes, including division heads. However, they did not play the role of boundary spanners; instead, they engaged in knowledge appropriation behavior. In other words, they were likely to monopolize their knowledge and information on gray area management so that this knowledge and information, as well as learning opportunities for cross-sectional collaboration, could not be shared by their subordinate members. Accordingly, the stylized stepwise hybrid processes of (1) static modification of clarification and (2) dynamic modification of enhancement were heavily stagnated in this case.

<Higher degree of dependence to increase incentives for knowledge appropriation>

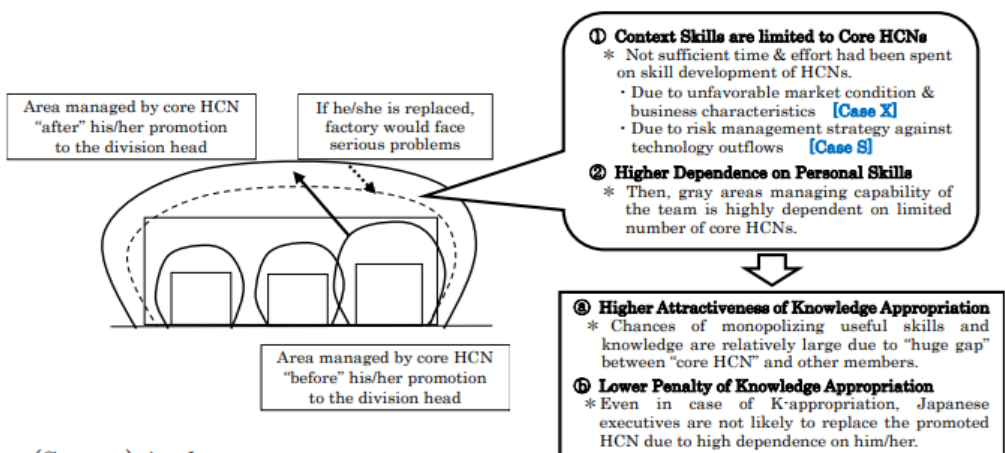
The conceptual framework shown in Fig. 2 and the relative incentive of “knowledge appropriation vs. knowledge sharing” for the promoted core HCNs suggest that a “higher degree of dependence on personal skills and knowledge” is likely the first key explanatory factor for our contingent relationship for the following two reasons, as illustrated in Fig. 3.

First, in the case of a higher degree of dependence, the promoted core HCNs would have a greater incentive for appropriating their

knowledge and information, as it was easier for them to maintain their superiority over other members compared with the case of a lower degree of dependence, which implied the greater attractiveness of knowledge appropriation. Second, in the case of a higher degree of dependence, even if Japanese executives were

dissatisfied with their knowledge appropriation behavior and planned to replace them, Japanese executives would face difficulty in doing so, as considerable efficiency losses would have taken place without their full commitment in daily operations, which implies a lower penalty for knowledge appropriation.

Fig.3 Case X & Case S : “Knowledge Appropriation” with Higher Dependence on Personal Skills and Knowledge



(Source) Author

<Underlying factors: resource constraints due to unfavorable case-specific factors>

Thus, what are the possible underlying factors for this greater degree of dependence on promoted HCNs in the first place? In relation to this question, the resource constraint for the skill development of HCNs was noted. In other words, "Insufficient time and effort" to develop the gray areas managing capabilities was available so that those capabilities were developed for only a limited number of HCNs, which was due to the following two case-specific factors. First, regarding market conditions, the growth rate for automobile components is quite high in China, and many competitors are

expected to enter the market. As such, for firm X, the immediate establishment of a reliable production base in China was given top priority, and full commitment from the remaining core members was essential. Second, regarding their business characteristics, geographical approximation to the market was crucial for the type of components made by firm X; thus, the number of overseas operational bases was relatively large. Accordingly, even in urgent cases where foreign subsidiaries are facing troubles, it would be difficult for Japanese HQs to send large-scale assistance to the specific subsidiary.

4.1.2 Case S: another case of a higher degree of dependence on personal skills and knowledge

As shown in Table 2, case S was established in 1998 as the joint venture of firm S (Japanese

parent of case S) and firm T from Taiwan, and it started as a manufacturing factory of components for casters. In this case, very similar to case X, knowledge appropriation had been taking place with a high degree of dependence on personal skills and knowledge due to the resource constraint for skill development of gray areas managing capabilities of HCNs, whereas case-specific factors for the resource constraint were rather different from those of case X in the following manners.

<Higher degree of dependence on the top manager from the partner firm>

At the time of establishment, “Mr. C” from firm T (partner of firm S for the joint venture) was assigned to the managing director, which was the critical position as a boundary spanner to mitigate the notion gap problem. However, the degree of dependence on personal skills and knowledge of Mr. C was very high, and he adopted knowledge appropriation behavior, where a similar story of case X was applicable to this case, as illustrated in Fig. 3.

Since then, Mr. C has remained at this position and has monopolized his knowledge and information on gray area management across neighboring sections as well as those on collaboration with other local business partners. Thus, useful knowledge and information as well as learning opportunities for these activities were not shared by subordinate members, including key HCNs such as the division heads of these sections. As a result, these subordinate members had been heavily discouraged from developing their gray areas managing capability so that some of the young and promising HCNs had moved away to other companies, and the stylized stepwise hybrid processes of mitigating the notion gap problem were heavily stagnated in this case.

As such, it is highly likely that, owing to this high degree of dependence, Mr. C had higher attractiveness and a lower penalty for knowledge appropriation, which increased his incentive for knowledge appropriation behavior. The possible reasons for this high degree of dependence, such

as case X, the resource constraint, or insufficient time and effort for the development of gray areas managing capability, were then identified.

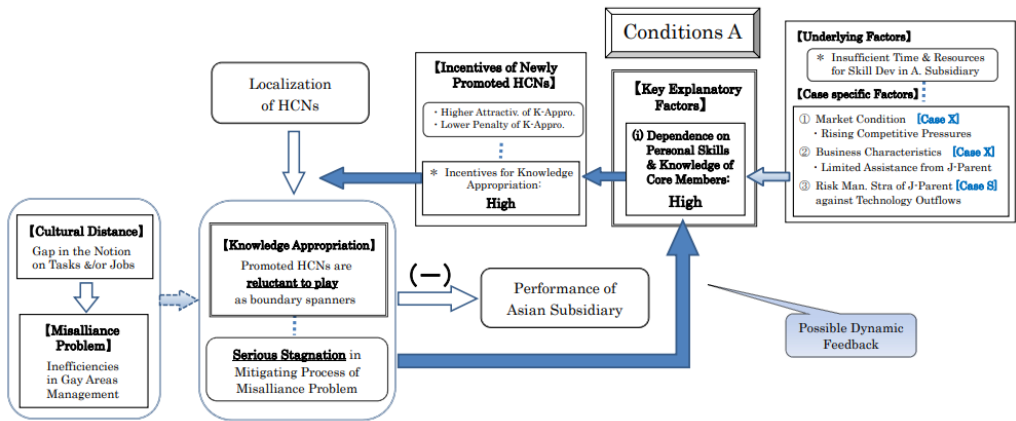
<Case-specific factors: risk management policy against technological outflows>

However, further examining case-specific factors for this resource constraint, unlike case X, the policy of the Japanese parent for technology transfer, or the risk management policy against technology outflows, seems to be crucial, as follows. According to the knowledge of firm S (Japanese parent), many subsidiaries of Japanese SMEs (small & medium enterprises) faced serious problems of technology outflows, where valuable assets such as technical know-how, local customers, and financial assets had been taken away along with the moving out of core HCNs’ employees, and these damages sometimes led to the withdrawal of the subsidiaries themselves. Thus, Firm S prioritized managing these risks, and she had not expected the subsidiary for an aggressive advance in technological upgrading; however, she was quite satisfied that Mr. C had made notable contributions to developing and expanding the local market by taking advantage of his unique human network with local business partners.

4.1.3 Description of “conditions A”

In brief, in both cases of X and S, the working hypothesis of HA is likely to be satisfied, as illustrated in Fig. 4, which is an extension of the framework of Fig. 2(a), and “condition A” can be described as follows: A higher degree of dependence on personal skills and knowledge is derived as the first key explanatory factor to imply a greater incentive of promoted HCNs for their knowledge appropriation. For both cases, as an underlying factor for this higher degree of dependence, the resource constraint or insufficient time and effort for developing gray areas managing capability were observed, which was due to (i) case-specific factors of market conditions and business characteristics for case X and (ii) those of the risk management strategy for case S.

Fig.4 Case of “Bad” Boundary Spanners :
Knowledge Appropriation & Negative Effects of Localizing HCNs (2)



(Source) Author

4.2. Two cases of knowledge sharing: Case Y & Case Z

Second, cases of knowledge sharing (case Y and case Z) are examined. In these cases, consistent with the framework of Fig. 2(b), promoted HCNs have played their expected roles as boundary spanners, where the stepwise hybrid processes of mitigating the notion gap problem have been steadily promoted. In addition to a theoretical replication of the first factor (i.e., a lower degree of dependence on personal skills and knowledge to lower the incentives for knowledge appropriation), the relevance of the second factor (i.e., a higher degree of prospects for growing opportunities to raise incentives for knowledge sharing) is noted, both of which would imply the key explanatory factors for "Conditions B" in Fig. 2(b), as discussed in Fig. 5 ~ Fig. 7.

4.2.1 Case Y: A case of a lower degree of dependence on personal skills and knowledge

<Relatively sufficient assistance from Japanese parents>

As shown in Table 3, case Y started operating in 1994 to produce processed materials for AV products. In this case, knowledge sharing had been taking place with a lower degree of dependence on personal skills and knowledge, which illustrates the theoretical replication (mirror image) of case X and case S to imply that the degree of dependence would be the first key explanatory factor for the choice of "knowledge appropriation vs. knowledge sharing" in the following manners.

During the 1990s and early 2000s, unlike the other two cases of cases X & S, this case was able to receive relatively sufficient assistance from Japanese parents; thus, Japanese executives took strong leadership to carry out the stylized mitigating process of stepwise hybrids so that gray areas managing capability had been developed for a wider number of HCNs, and the degree of dependency on personal skills and knowledge had significantly decreased. Accordingly, since the middle of the 2000s, as core HCNs have been gradually promoted to

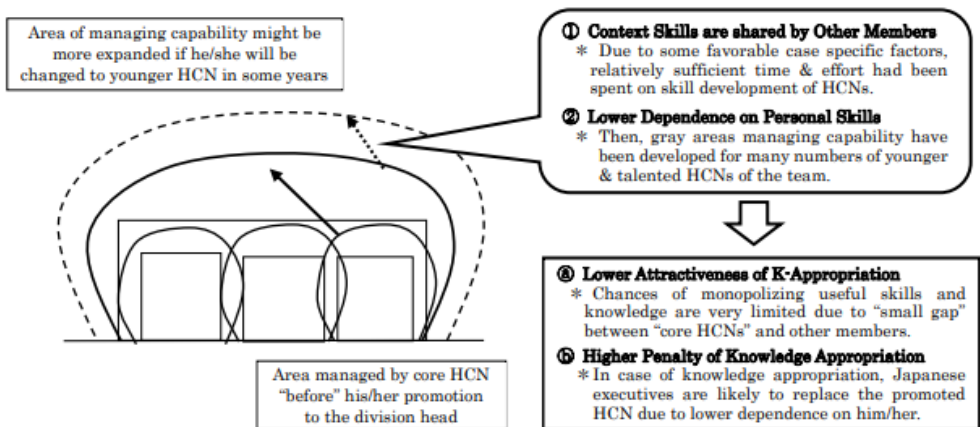
management classes, including division heads, these HCNs have shown knowledge-sharing behavior to play crucial roles as “boundary spanners”. In other words, they were willing to share gray areas managing capabilities with their subordinate members and actively promoted mutual learning opportunities among them as well as across neighboring sections.

<Case-specific factors: high priority for the subsidiary and high communication skills of PCNs>

Here, noting the conceptual framework of Fig. 2(b) and looking into the relative incentives for the promoted HCNs, this finding implies the theoretical replication of cases X & S in the following manners, as illustrated in Fig. 5. First,

in the case of a lower degree of dependence, the promoted core HCNs can only have a lower incentive for appropriating their knowledge and information, as it is more difficult for them to maintain their superiority over other members, which implies the lower attractiveness of knowledge appropriation. Second, in the case of a lower degree of dependence, if Japanese parents are dissatisfied with their knowledge appropriation behavior, Japanese parents would be able to replace them, as possible efficiency losses would not be substantial even without their commitment in daily operations, which implies a greater expected penalty of knowledge appropriation.

Fig.5 Case Y : “Knowledge Sharing”
under Lower Dependence on Personal Skills and Knowledge



(Source) Author

As an underlying factor for this lower degree of dependence in this case, the following case-specific factors were identified. The first factor was the relatively high priority given to factories in China; for firm Y, this factory was

indispensable, as it was the firm’s only foreign factory, and its production size was larger than that of factories in Japan. As a result, the Japanese parent was obliged to provide large-scale assistance if needed. The second factor was

the distinguished communication skills of the PCNs, especially one particular Japanese executive who had studied in China during his undergraduate years. With his deep knowledge of the notion gap problem, he played a leading role in communicating with HCNs, which implies that he had played a crucial role as “a boundary spanner” to develop gray areas managing the capabilities of HCNs at the beginning stages of their operation, while his role was gradually succeeded by the core members of HCNs since the middle 2000s.

Here, another point to be noted in this case is that, in recent years after the 2010s, in addition to the first key explanatory factor (lower dependency for personal skills and knowledge—a lower incentive for knowledge appropriation), the importance of the second key explanatory factor (higher prospects for growing opportunities—a greater incentive for the local market) increased, whose detailed explanation will be in the next subsection in the context of case Z. In the case of Y, as the gray areas managing the capability of HCNs have improved in recent years, more opportunities taking advantage of their strength, such as HCNs (e.g., development of products for the local market and utilization of local resources), have become available, which has steadily increased their incentives for knowledge sharing.

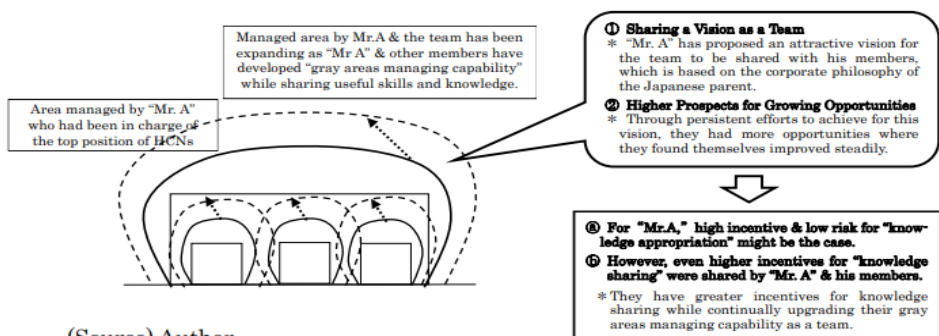
4.2.2 Case Z: a case of higher prospects for growing opportunities

<knowledge sharing even with a higher degree of dependency>

As shown in Table 4, case Z started operating in 1993 as a manufacturer of processed textile products. In this case, when looking at the “first key explanatory factor”, the “degree of dependence of a certain top HCN (identified here as “Mr. A”)” was very high, which was similar to the two cases of X & S. However, unlike these two cases, “Mr. A” did not engage in knowledge appropriation behaviour; instead, he took strong leadership as a “boundary spanner” to share his knowledge with his subordinate members. Here, noting the framework of Fig. 2(b), in addition to the incentive for “knowledge appropriation”, the incentive of “Mr. A” for his “knowledge sharing” is examined to derive “prospects for growing opportunities” as the “second key explanatory factor” for his choice of “knowledge appropriation vs. knowledge sharing.”

In other words, examining the interview results of this case, it is highly likely that, inspired by “Mr. B” (president of firm Z and part of the founder’s family), his incentives for knowledge sharing were sufficiently large to outweigh his incentives for knowledge appropriation, whose story can be described as follows, as illustrated in Fig. 6:

Fig.6 Case Z : “Knowledge Sharing”
with Higher Prospects for Growing Opportunities



(Source) Author

<Case-specific factors: strong leadership of “Mr. A” inspired by “Mr. B”>

First, his fateful encounter with Mr. B unleashed his potential ability to bring high growth opportunities to this case as well as to himself. Mr A graduated from a college in China, majoring in the Japanese language, and worked for a local textile manufacturer. Then, at the time of the establishment of firm Z’s subsidiary, Mr A was introduced to Mr B. Hearing stories about Firm Z from Mr B, Mr A was very much impressed and felt deep empathy with Firm Z as well as with the management philosophy of Mr B. Due to deep mutual trust and understanding, Mr B asked Mr A to be the vice president of the newly established subsidiary. Since then, with his sincere and persistent efforts for the steady growth of case Z, as the vice president (1993--2005) and then as the president (2005-), Mr A has engaged in strong leadership to expand the business field of the subsidiary: starting as a contract manufacturer → adding sales function for the local market → enlarging sales function and starting product design function for the global market.

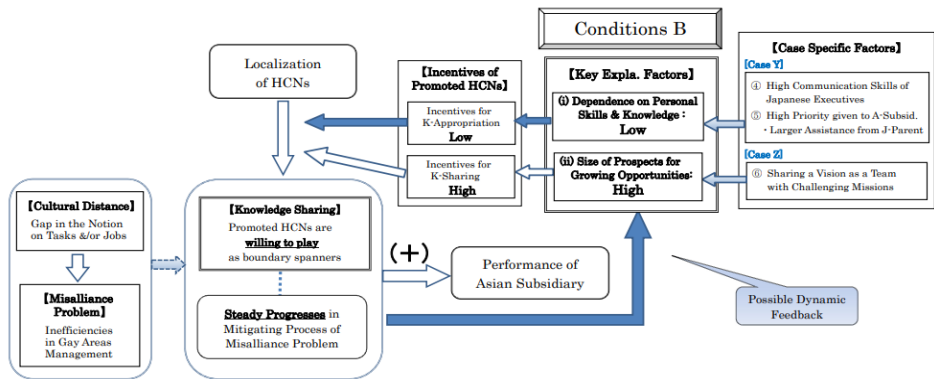
Second, the management philosophy of firm Z, as well as his original vision for the subsidiary in China, played crucial roles as follows. In Firm Z, as an important principle for human resource development, there was a saying of “leaving it to him/her, while not leaving it to him/her”, which was based on the management philosophy of Mr B. This meant that the boss was supposed to entrust a subordinate with challenges and goals while respecting his/her own ideas and initiatives. At the same time, the boss was always supposed to care for the subordinate, helping him/her share his/her challenges and goals while also maintaining some distance. Indeed, in keeping with this philosophy, Mr. B entrusted

Mr. A with challenging missions such as developing new product designs and initiating new market channels. Again, sharing this philosophy, Mr A entrusted his members in the subsidiary in China with their own challenges. In particular, when proposing his original vision for the subsidiary, he strove for sincere efforts to achieve this vision together with his members, namely, through the slogan “Sense the global trend, and create our own design from China”. Accordingly, through persistent efforts to develop their gray areas managing capability, they have recently had more opportunities to improve themselves and become a more sophisticated “one team”.

4.2.3 Description of “conditions B”

In brief, in both Y and Z, the working hypothesis of HBs is likely to be satisfied, as illustrated in Fig. 7, which is an extension of the framework of Fig. 2(b), and “condition B” can be described as follows: From the findings of case Y, as the theoretical replication of cases X & S, a lower degree of dependence on personal skills and knowledge was observed to imply a lower incentive of promoted HCNs for their knowledge appropriation. As an underlying factor for this lower degree of dependence, resource availability, or relatively sufficient time and effort for skill development was observed, which was due to case-specific factors of (i) relatively high priority given to this factory and (ii) distinguished communication skills of PCNs. From the findings of case Z, as the second key explanatory factor, a greater prospect for growing opportunities was derived to imply a greater incentive to promote HCNs for their knowledge sharing. Thus, as an underlying factor for this greater prospect for growing opportunities, sharing a vision as a team with challenging missions was identified as one of her case-specific factors.

Fig.7 Case of “Good” Boundary Spanners :
Knowledge Sharing & Positive Effects of Localizing HCNs (2)



(Source) Author

Summary and Further Discussion

5.1. Summary of the Analysis

Given the growing importance of boundary spanners in promoting knowledge sharing in Asian subsidiaries of Japanese MNEs, which are facing intensified pressures from their local rivals, this study focuses on an interesting contingent relationship in the role of boundary spanners observed in some cases of subsidiaries in China and examines the mechanism underlying this contingent relationship.

Given that the observed negative effects of “knowledge appropriation behavior” by promoted HCNs (i.e., ineffective control and inefficient knowledge transfer) have been discussed in the literature on global HRM as the two major negative effects of HCN localization and that the observed positive effects of their “knowledge sharing behavior” (i.e., effective control and efficient knowledge transfer) illustrate their “mirror images”, HA & HB are proposed as a set of analytical frameworks. As illustrated in “Fig. 2(a) vs. Fig. 2(b)”, “conditions A vs. conditions B” (case of “bad” boundary spanners vs. case of “good” boundary

spanners) are explored, which would explain the relative size of incentives for “knowledge appropriation vs. knowledge sharing” of promoted HCNs in foreign subsidiaries.

By examining our 4 cases (K-appropriation: cases X & S, K-sharing: cases Y & Z), as illustrated in Fig. 4 and Fig. 7, the two key explanatory factors are derived, where a greater degree of dependence on personal skills and knowledge is likely to increase incentives for “knowledge appropriation”, and greater prospects for growing opportunities are likely to increase incentives for “knowledge sharing”. In addition, case-specific factors affect the relative size of the two key explanatory factors, e.g., the market condition and business characteristics of the product (case X), the risk management policy of the Japanese HQ (case S), the high communication skills of Japanese executives (case Y), and an attractive vision with challenging missions (case Z).

5.2. Limitations and implications for theories and practices

This derived set of “conditions A vs. conditions B” (“bad” boundary spanners vs. “good” boundary spanners) is obtained only from our four interviewed cases; thus, its general applicability must be carefully examined via

further detailed and extensive research. Nonetheless, this set of conditions might have important implications for a dynamic feedback mechanism, which would suggest following interesting research topics on the dynamic perspectives for the contingent relationship of “knowledge appropriation vs. knowledge sharing.”

First, there can be a dynamic contingent relationship of “vicious cycles vs. virtuous cycles” of “knowledge appropriation vs. knowledge sharing” in the following manners. On the one hand, as discussed in Fig. 2(a) in section 2, “knowledge appropriation” can cause the two major problems of “ineffective control” and “inefficient knowledge transfer”. At the same time, there can be an opposite causality where the resulting “inefficient knowledge transfer” leads to a higher degree of dependence on personal skills and knowledge, which can cause another round of “knowledge appropriation”, as shown in the middle part of Fig. 4. On the other hand, just as a mirror image of this, as discussed in Fig. 2(b), “knowledge sharing” can achieve the two major performances of “effective control” and “efficient knowledge transfer”. Thus, there can be an opposite causality where the resulting efficient knowledge transfer leads to a lower degree of dependence on personal skills and knowledge as well as higher prospects for growing opportunities, both of which can cause another round of “knowledge sharing”, as shown in the middle part of Fig. 7.

Notably, these double mutual causalities imply a dynamic contingent relationship of “vicious cycles vs. virtuous cycles” as follows. Starting from an unfavorable set of conditions [Conditions A in Fig. 4], an Asian subsidiary would be trapped in an equilibrium of “bad boundary spanners”, or a vicious cycle of “knowledge appropriation → stagnation in stepwise hybrid modification → greater dependence on personal skills and knowledge → knowledge appropriation → . . .”. In contrast, starting from a favorable set of conditions

[Conditions B in Fig. 7], the Asian subsidiary would be in an equilibrium of “good boundary spanners”, or a virtuous cycle of “knowledge sharing → steady progress in stepwise hybrid modification → lower dependence on personal skills and knowledge → knowledge sharing → . . .”.

Second, in the cases of “good boundary spanners”, we might be able to illustrate stylized dynamic patterns of persistent improvement in problem-solving capabilities. As illustrated in Fig. 7, suppose that a “virtuous cycle of knowledge sharing” is achieved, the gray areas managing capabilities for HCN teams might be steadily enhanced so that the sustainable growth of Asian subsidiaries can be expected with better access to the local market as well as with efficient utilization of local resources, which is practically relevant to Japanese MNEs overcoming their liability of foreignness while facing intensified competitive pressures from their local rivals.

Following this scenario, in the 2021 interviews with case Y and case Z of our samples, a recent persistent improvement in their problem-solving capabilities is likely to be observed, as shown in Table 1 in section 3, where the linkages among the “four types of knowledge” (Kim 2013; i.e., explicit & tacit knowledge and home country & local knowledge) gradually developed in a stylized manner. Accordingly, examining the general applicability of this stylized pattern as well as possible case-specific factors affecting this pattern might be interesting research topics.

Third, in the cases of “bad boundary spanners”, exploring the possible shift from “bad boundary spanners” equilibrium to “good boundary spanners” equilibrium is an interesting topic for theoretical investigation. For example, using a game theory framework, the decision-making process of the promoted HCNs on the choice between “knowledge appropriation vs. knowledge sharing” might be examined so that the satisfying conditions for each bad and good equilibrium can be more explicitly obtained.

Using these obtained conditions, the effects of implementing possible policy devices (e.g., technical assistance from Japanese parents, bonus payments to promote HCNs to encourage their knowledge-sharing behavior, etc.) and their required costs can be derived, which can provide useful practical hints to Asian subsidiaries of “bad boundary spanners” with some unfavorable

conditions so that they can choose cost-effective policy devices for their possible shift to “good boundary spanners”.

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