

Creating social capital in MNCs: the international human resource management challenge

Sully Taylor, School of Business Administration, Portland State University
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Social capital has assumed a critical role in the successful implementation of global strategy for multinational companies (MNCs). The article focuses on the ways in which the international human resource management (IHRM) system and those responsible for it influence the creation and utilisation of social capital in MNCs. It examines the challenges posed to IHRM by the wide diversity of definitions and manifestations of social capital found in the multiple cultural contexts of the global business environment and provides a framework on how to approach the cultural influences on the definitions and behavioural expressions of social capital. It also critically assesses the recommendations that have been made regarding developing social capital in MNCs, the competencies most critical to the ability to develop social capital in multiple cultural settings, and provides a set of recommendations for future research in this area.

Contact: Sully Taylor, School of Business Administration, Portland State University, PO Box 751, Portland, OR 97207, USA. Email: sullyt@sba.pdx.edu

The field of international human resource management (IHRM) has developed rapidly over the past decade, in tandem with the growing importance and scope of multinational company (MNC) activity in the world (Keating and Thompson, 2004). As structural solutions become less effective because of the dynamism of the global environment and the dispersion of key assets (including human) around the world, IHRM is seen as increasingly important to the successful implementation of MNC strategy (Bartlett and Ghoshal, 1989; Sparrow *et al.*, 1994; Taylor *et al.*, 1996; De Cieri and Dowling, 1999). In order to achieve the goal of successful implementation, the IHRM system, and those functionally responsible for designing it, have tried to meet the challenge of how to effectively manage the cultural and institutional diversity that makes creating a unified global HR system problematic (Sparrow *et al.*, 1994; Ferner, 1997; Clark *et al.*, 1999). Recently, the field has also begun to focus on an emerging issue in IHRM: the creation of social capital in the organisation's global network (Nahapiet and Ghoshal, 1998; Kostova and Roth, 2003; Griffith and Harvey, 2004; Gomez and Sanchez, 2005a,b; Lengnick-Hall and Lengnick-Hall, 2006; Taylor, 2006). Social capital has been defined as '... the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit' (Nahapiet and Ghoshal, 1998: 243), and is the result of developing social networks.

Social networks have been shown to have many benefits to MNCs, including increasing the knowledge of foreign market opportunities (Ellis, 2000), access

to technologies or resources that competitors do not enjoy (Gulati *et al.*, 2000), identification of competitive threats, ability to leverage joint venture relationships (Harrigan, 1985), ability to learn from alliances (Hamel *et al.*, 1989), and the ability to leverage internal knowledge and aid in coordination and cooperation (Kostova and Roth, 2003). This *internal* benefit to MNCs of social networks and the resultant social capital is the central focus of this article because of its salience in MNC success.

Social capital is critically important to the success of MNCs because of its close links with the creation and sharing of knowledge throughout the firm and also because of its ability to support effective coordination and ensure cooperation across geographic and cultural borders. As Kogut and Zander (1993) argue, the ability to access the knowledge existing throughout the MNC's global network is what gives an international firm a competitive advantage over local firms. Leveraging internal knowledge and innovation enables the firm to take advantage of its worldwide access to information, learning and creativity to continue to improve its competitive offerings in products or services. Creation and transfer of such knowledge largely depend on the ability and willingness of employees to undertake the complex organisational tasks of coordination and communication necessary to use knowledge for competitive advantage (Kogut and Zander, 1992; Nahapiet and Ghoshal, 1998; Storey and Quintas, 2001). In addition, knowledge flow is particularly important to MNCs with a high degree of complex interdependency between headquarters and subunits (Kostova and Roth, 2003), enabling the firm to coordinate effectively in a dynamic global environment.

Social capital plays an essential role in nurturing the willingness and ability of employees to engage in the creation and sharing of knowledge in global firms, and enables coordination and cooperation in the global network (Nahapiet and Ghoshal, 1998; Kostova and Roth, 2003). The emerging importance of social capital to MNC success places new demands on the IHRM function (those responsible for designing and implementing IHRM policies and practices) and the IHRM system within MNCs. Among these is an important concern for how to build social capital in the global network of an MNCs' subunits. Another related concern is the identification, development and retention of managers, particularly those crossing geographic and cultural boundaries, who can successfully develop social capital in multiple cultural settings. This article will argue that while the development of social capital in MNCs has become increasingly recognised as a key task of IHRM (*e.g.* Lengnick-Hall and Lengnick-Hall, 2006; Taylor, 2006), there has been less recognition that the diverse ways in which social capital is conceived and manifested in different cultures is likely to make this a complex task, with important implications for the resultant system. Research has not addressed how developing social capital differs across cultures, a necessary first step to creating the theoretical frameworks of how the IHRM function can help build social capital in global, internal networks. The intent of this article is to elucidate this complexity and provide a framework to both researchers and practitioners on how to approach the issue. The article will analyse how the concept and manifestation of social capital are likely to be affected by the diversity of cultural milieux in which MNCs operate and will draw on this discussion to critically assess the recommendations that have been made regarding developing social capital in MNCs. The article will then speculate on what competencies are most critical in managers with the ability to develop social capital

in multiple cultural settings. The article ends with a set of recommendations for future research in this important area.

SOCIAL CAPITAL

Expanding on the definition of social capital offered above, social capital has been characterised as consisting of three major types: structural, relational and cognitive (Nahapiet and Ghoshal, 1998). Structural social capital is based on the network of people an individual knows and upon whom she can draw for information or assistance. Important aspects of structural social capital are the number of ties a person has, with whom and how strong the tie is (Burt, 1992; Portes, 1998; Adler and Kwon, 2002). Relational social capital ‘...describes the kind of personal relationships people have developed with each other through a history of interactions’ (Nahapiet and Ghoshal, 1998: 244) and often encompasses the resulting trust and associability that grows through time (Leana and Van Buren, 1999). Associability is ‘... the willingness and ability of participants in an organisation to subordinate individual goals and associated actions to collective goals and actions’ (Leana and Van Buren, 1999: 541). Finally, cognitive social capital ‘... refers to those resources providing shared representations, interpretations, and systems of meaning among parties’ (Nahapiet and Ghoshal, 1998: 244), which has also been described as the shared goals as well as shared norms and values that build up through relationships over time (Inkpen and Tsang, 2005).

These three dimensions of social capital contribute to the successful performance of MNCs in several ways. Briefly, *structural* social capital contributes to the effective flow of knowledge and more efficient coordination by providing well-configured networks of relationships that span important sub-networks in the MNC’s global operations (Burt, 1992; Kostova and Roth, 2003). This provides the opportunity of accessing and sharing knowledge with relevant others. It should be noted that structural social capital is similar to ‘bridging’ social capital. This type of social capital accrues to the person who bridges the gap between two or more others, helping them to have access to information or other beneficial resources (Burt, 1992; Portes, 1998; Oh *et al.*, 1999). This puts the individual at the forefront (Adler and Kwon, 2002), and the social capital from bridging is often considered a private good. While bridging social capital is often conceptualised as external to the organisation (Adler and Kwon, 2002), structural social capital can be seen as existing both solely between internal members, as well as with external connections. Because of our focus on the MNC’s need to leverage internal knowledge, we focus on the internal expression of structural social capital (*i.e.* bridging that occurs between members of the same company, often across subunits).

Relational social capital contributes through the greater trust that MNC employees feel towards one another, which nurtures the willingness to share information with geographically and culturally distant fellow employees and to make short-term trade-offs to further organisational goals (Adler and Kwon, 2002; Tsai and Ghoshal, 1998). It has been argued that when high levels of relational social capital are present, the resultant trust and associability become a public rather than a private good, that is, available to anyone who is part of the organisation to draw on (Coleman, 1988, 1990; Oh *et al.*, 2006; Putnam, 1995; Leana and Van Buren, 1999).

Finally, *cognitive* social capital enhances the coordination of employees by providing common visions of goals and objectives and by creating a shared frame of reference, shared norms and ways of doing things. This enhances the 'absorptive capacity' of employees (Cohen and Levinthal, 1990; Nahapiet and Ghoshal, 1998) and further smoothes the sharing of knowledge across disparate parts of the organisation. Like relational social capital, cognitive social capital may be considered a public rather than a private good. Relational and cognitive social capital are often described as 'bonding' types of social capital (Coleman, 1990). In general, higher levels of social capital are desirable in firms considered 'transnationals' (Lengnick-Hall and Lengnick-Hall, 2006), which are often characterised as having greater and more complex resource interdependencies (Kostova and Roth, 2003), although as Lengnick-Hall and Lengnick-Hall observe, the greater the number of international operations of a firm, the more difficult it is to create social capital throughout the global firm.

We should note that social capital is not an unalloyed good for any organisation (Portes, 1998). Social capital can lead to excessive 'closure' of a group (Coleman, 1990) because of the very high bonding among members and lack of information input from other groups. This can lead to less innovation and knowledge flow (Hansen *et al.*, 2005). Also, social capital takes resources to maintain. Relationships, once established, must be nurtured by the individuals engaged in them (Inkpen and Tsang, 2005), which requires high investments of time and energy. Finally, certain individuals in a network can acquire too much power over time and use their place in the structure of a network to retain knowledge rather than disperse it (Gabbay and Zuckerman, 1998). While recognising these potential negative impacts of social capital, in this article, we focus largely on the positive contributions to knowledge creation and coordination within MNCs.

Within MNCs, utilisation of social capital will be particularly important to those employees who possess two key attributes: they span geographic and cultural boundaries and they are high value added contributors to both the coordination process and the knowledge sharing and creation process. High value boundary spanners (HVBSs) can be located in any unit, including headquarters, and engage in contact with other employees in any other subunit. Drawing on Kostova and Roth (2003), these HVBSs are conceptualised as existing both at the managerial level and beyond, '...since there are other unit employees who have been in direct contact with people from headquarters through joint projects, meetings, task forces, and so forth (*e.g.* engineers, researchers, marketing specialists)' (p. 304). Diverging from their view, which is focused on headquarters–subsidiary boundary spanners, however, this article maintains that contact with other units can include the headquarters but does not have to. Two HVBSs in two separate subsidiaries can be fruitfully engaged in knowledge-sharing and coordination activities without involving the headquarters. These HVBSs are high value added because they possess important firm-specific knowledge, skill or capabilities that make cross-boundary work strategically important to the MNC (Lepak and Snell, 1999, 2002). While not all HVBSs will contribute equal levels of value to the firm (*e.g.* a general manager of a key subunit versus one of several key engineers on a global design team), they share the attribute of providing core knowledge and coordinating capabilities to the firm.

BUILDING SOCIAL CAPITAL IN MNCs: POSSIBILITIES AND BARRIERS

It has been argued that the task of building social capital in MNCs, particularly between HVBSs, is becoming ever more important to the IHRM function within MNCs (Taylor, 2006). Further, it has been argued that this will drive the IHRM function towards creating a greater integration of its IHRM policies across borders in order to support its establishment and maintenance, thus constituting one of the 'emerging motivations' for greater IHRM integration in MNCs.

Taylor (2006) acknowledges the institutional, organisational and cultural barriers that may impede IHRM's ability to create social capital in the global network. Institutional factors include '... legal, political and labour market facets of the host countries in which the MNC operates' (p. 123). For example, legal restrictions on certain compensation schemes may make it difficult to use certain rewards to support building social capital. Organisational factors refer to the strategic posture of the firm, or to the role of affiliates in the MNC's network (Rosenzweig and Nohria, 1994). Finally, culture is an area that deserves particular attention as it influences the most basic aspects of the concept, that is, how social capital is conceived and implemented by different societies. This in turn has important implications for IHRM's responsibility in selecting and developing HVBSs who can successfully understand and manoeuvre through the differences.

In order to discuss the cultural impact on social capital in different cultures, I will draw on the cultural syndromes of individualism–collectivism, status identity, specific-holistic orientation and tolerance for ambiguity (Triandis, 1995; De Luque and Sommer, 2000). These 'syndromes', which De Luque surfaced to discuss feedback-seeking behaviour in different cultures, encompass much of the work found in the major cultural frameworks used by international management scholars (e.g. Kluckhohn and Strodtbeck, 1961; Hall, 1976; Hofstede, 1980; Schwartz, 1992, 1999; Trompenaars, 1993). They capture the similarities between the frameworks while retaining the nuances found in each. A brief description of each syndrome is given before turning to how each of the three components of social capital – structural, relational and cognitive – may be conceptualised and manifested in different societies.

Individualism–collectivism is one of the most studied cultural dimensions. Individualism '... corresponds to the primacy people place on themselves over their aggregate social group' (De Luque and Sommer, 2000: 840). People in highly individualistic societies tend to make decisions on their own and to pursue individual goals (Kluckhohn and Strodtbeck, 1961). Collective societies tend to emphasise the importance of the group over the individual, whether in regard to decision making, information sharing or goals (Early, 1997). Honour or accomplishments are important to achieve for the group rather than for the individual (Schwartz, 1992). Finally, individualist societies tend to be more masculine (Hofstede, 1980) in orientation, that is, with greater emphasis on achievement and materialistic goals (Doney *et al.*, 1998).

Status identity '... embodies the notion that cultural members are stratified into categories or a hierarchy based on culturally salient criteria' (De Luque and Sommer, 2000: 841). The notion of power distance (Hofstede, 1980) is a key aspect of this syndrome, the idea that differences in power or influence are more accepted in some

societies, while an emphasis on equal rights is more pronounced in others. Position in an organisational hierarchy becomes very important in high power distance societies and leads to differences in privileges and other benefits. Information will tend to flow more equally among organisational members in low status identity cultures, and people will be recognised more for their achievements than for their ascribed social attributes such as gender or class (Parsons and Shils, 1951; Trompenaars, 1993).

The third cultural syndrome is the specific-holistic orientation, which deals with how a culture understands the interdependence and richness of relationships. While the USA and other specific-oriented societies see 'interactions through an effect/outcome-oriented focus' (De Luque and Sommer, 2000: 834), other cultures are more holistic, blending various areas of life and considering them as interdependent. In holistic societies, the business and the personal interactions are seen as interrelated and difficult to develop in isolation from each other (Trompenaars, 1993).

Finally, the tolerance for ambiguity syndrome deals with the degree to which a culture encourages a propensity towards risk and a tolerance for uncertainty. Societies that have low tolerance for ambiguity will tend to create more formal structures and rules, and individuals will seek more information (*e.g.* for decision making or concerning personal performance) and avoid risky situations to the degree possible (Hofstede, 1980; Triandis, 1989; Early, 1997; De Luque and Sommer, 2000). As De Luque and Sommer (2000) note, in societies with low tolerance for ambiguity, individuals will be '... threatened by opinions and behaviours different from their own' (p. 838). In societies with high tolerance for ambiguity, there will be greater innovation and openness to change (Kedia and Bhagat, 1988) as well as more willingness to take risks of all kinds.

In the next section, these four cultural syndromes will be used to discuss how the building of social capital – structural, relational and cognitive – across cultures by HVBSs may be affected by the differences between cultures along these dimensions.

BUILDING STRUCTURAL SOCIAL CAPITAL

Structural social capital is based on the configuration, strength and density of relationships a person builds with others in an organisation. HVBSs must first build these relationships with other HVBS in the globally dispersed organisational units of the firm. These relationships are created with people in different cultural milieux, milieux that dictate who one can form relationships with, what types of relationships can be formed and how relationships are to be maintained and honoured. 'Participants [in a relationship] develop an understanding about the nature of the relationship and what each can expect from the other' (Lengnick-Hall and Lengnick-Hall, 2003: 56), but before they even enter into a relationship, their understanding of the nature of relationships may be influenced by the national cultural setting in which they live and work. A clear example of how culture can affect the way in which relationships are formed is provided by Burt *et al.* (2000), who found that while French and American managers both create the network form of social capital, 'French managers operate with a less porous social boundary around their firm and associate negative emotions with bridge relations' (p. 123).

Relationships have been studied by a number of authors who have identified several key aspects of the construct. First, relationships can be multifaceted. Thus, there can be a fairly simple, single-faceted relationship between two people, or many, high differentiated relationships between them (e.g. colleague, tennis partner, brother-in-law, mentor) (Lewicki *et al.*, 1998; Lengnick-Hall and Lengnick-Hall, 2006). In general, the greater the breadth of our experiences with one individual across various contexts, the more complex our understanding of the person becomes; the longer and more mature the relationship, the more detailed our view of the personal qualities of the other (Gabarro, 1978; Murray *et al.*, 1996; Lewicki *et al.*, 1998), which is described as the 'richness' of a relationship. Relationships between individuals can also be examined for the qualities they embody. Rapport, bonding, breadth (similar to multifaceted) and affinity are key concepts that have been used to describe the quality of relationships (Greenhalgh, 2001). As Lengnick-Hall and Lengnick-Hall (2003) describe:

Rapport involves the comfort people have in dealing with each other. . . .
Bonding concerns the robustness of the relationship. . . . *Breadth* (similar to multi-faceted) of the relationship reflects the differences in how relationships are experienced in terms of scope . . . and time. . . . *Affinity* entails the degree to which people find each other intrinsically interesting. (p. 57)

The cultural syndrome of collectivism–individualism is a useful lens through which to look at how the basic building blocks of social capital – the relationships a person develops – may be influenced by cultural understandings. In highly collectivist societies, for example, individuals will tend to favour 'in-group' members over 'out-group' members (Triandis *et al.*, 1988). This may make developing a relationship with someone who has been designated an 'outsider' undesirable. Definitions of what constitutes an 'in-group' may also differ across cultures, with Latin-American cultures restricting their in-group to family and close friends (Gomez and Sanchez, 2005b), while Japanese may base their sense of the collective on the 'clan' of their particular unit or division (Ouchi, 1981; Hitt *et al.*, 2002). Even someone from a different part of the firm can be considered an outsider if the organisational boundary is drawn around the unit rather than the firm (Huff and Kelley, 2003). Moreover, in some societies, relationships can sometimes be inherited, inhibiting the development of new relationships (Khatri *et al.*, 2006). Finally, expectations about what behaviour is desirable in order to build the relationship may also vary. For example, the collectivism of a particular society may encourage 'favouritism' (Gomez and Sanchez, 2005b; Khatri *et al.*, 2006) in allocating jobs or other rewards as a way of establishing or furthering a relationship.

Looking at the issue from the viewpoint of individualistically oriented societies, it can be argued that these societies, with their emphasis on personal choice and control, may value affinity as an important quality in determining whether a person wants to form a relationship, whereas in collectivist societies, affinity may be a quality of relationships that one builds through effort and with time. Combined with the arguments above, this leads us to the first proposition:

Proposition 1a: For HVBSs from individualistic societies, establishing relationships that form the basis of social capital with HVBSs in organisational units in collective societies may be more difficult and hence less frequent than with HVBSs in organisational units in individualist societies.

The ways in which societies embrace a more holistic sense of relationships can be important in shaping what relationships an HVBS forms. In highly specific-oriented societies, there may be high tolerance of uni-faceted relationships in the workplace and great discomfort with developing other facets of the relationship that call for higher levels of interpersonal disclosure or empathy (Trompenaars, 1993). For Chinese societies, for example, the concept of *guanxi* entails a belief that relationships must be multifaceted and rich (Schermerhorn and Bond, 1991). Hence, it will take a long time to develop a relationship, and there will be many contexts in which the relationship unfolds, often involving 'revealing character' (De Luque and Sommer, 2000: 835). When an HVBS from a specific-oriented society attempts to form a relationship with an HVBS from a diffuse-oriented society, it is likely that she will attempt greater compartmentalisation of the relationship than her counterpart, invest less time and perhaps be less willing to self-reveal. The two simply do not conceptualise the meaning or nature of a relationship in the same way. All of this leads to an additional proposition:

Proposition 1b: HVBSs from organisational units in highly specific cultures will have difficulty forming relationships that are the basis for social capital with HVBSs from organisational units located in diffuse-oriented cultures, and hence form fewer relationships than with HVBSs from organisational units in highly specific cultures.

The creation of structural social capital across different cultures may also be hindered by different ideas about who you can develop a relationship with in another organisational unit. Certain characteristics of a person may weigh more heavily in some cultures than in others. This is important because whom one knows in a firm may greatly influence the private social capital an individual can acquire and how effectively she can do her job. Burt (1992) observes that individuals who span structural 'holes' in a network will have access to information or knowledge that others do not. Besides acquiring information important to himself, by virtue of connecting two sub-networks that are unknown to each other, an HVBS acquires an important position of influence and sometimes power which can be used to enhance knowledge exchange or coordination. HVBSs will thus want to build relationships with those who have the knowledge or can affect a coordination task directly regardless of their positions in the organisational hierarchy. This disregard of hierarchy may be relatively easy in lower status identity cultures. As De Luque and Sommer (2000) note about feedback-seeking behaviour, '... the equal power distribution in lower status identity cultures might allow workers to move more easily up the organisation pyramid, or through the organisation network' (p. 842). However, in some societies, the social status of one person heavily influences with whom she can build relationships in another unit. As Gomez and Sanchez (2005a) note, in Mexico, '... the notion that all men are created equal is almost an insult' (p. 67). Asian

cultures also generally tend to be higher on the power distance scale, making easy connections across hierarchical levels problematic. It may be necessary to create the connection with the other HVBS by establishing a relationship first with his boss, avoiding the loss of face that could result from having 'cut' him out of the loop. Status identity can be affected by other personal attributes such as gender, wealth, caste or social class (De Vos, 1990), which can trip up HVBSs from low status identity cultures who are unaware of the importance of the influence of these attributes when establishing relationships with other HVBSs from high status identity cultures. This leads to a further proposition:

Proposition 1c: HVBSs from organisational units in low status identity cultures will find it more difficult to form relationships with – and hence form fewer – HVBSs in organisational units based in high status identity cultures than with HVBSs in low status identity cultures.

BUILDING RELATIONAL SOCIAL CAPITAL

The building of relational social capital by HVBSs across the multiple cultural settings of global firms may also be affected by cultural differences in the way trust and associability are conceptualised and built. While to some extent building structural and relational social capital must go hand in hand, for the sake of analysis, they will be considered as distinct, independent components of building internal social capital.

As mentioned previously, relational social capital can be conceptualised as the quality of a relationship, particularly the amount of trust and associability that the relationship contains.

Trust is one of the most frequently cited characteristics of social capital, and some argue that it is actually the 'heart' of social capital (Hitt *et al.*, 2002). All societies deal with the issue of trust: 'History and literature suggest that trust is a universal concept in the human condition' (Hitt *et al.*, 2002: 12). Doney *et al.* (1998) offer an integrated definition of trust as '... a willingness to rely on another party and to take action in circumstances where such action makes one vulnerable to the other party' (p. 604). However, trust develops in different ways in different cultures (Meyer, 1993; Inglehart, 1997; Doney *et al.*, 1998; Rousseau *et al.*, 1998; Ting-Toomey, 1999; Hitt *et al.*, 2002), and moreover, cultural differences themselves can make trust formation more difficult in cross-cultural relationships (Early and Gibson, 2002). In this article, I will focus only on the way that culture affects the formation of trust in relationships, and will concentrate on a culture's overall propensity to trust as well as the way in which trust is created between individuals.

It has been found that certain cultures have a greater overall propensity to trust than others (Harnett and Cummings, 1980; Shane, 1994; Fukuyama, 1995; Child, 1998; Huff and Kelley, 2003). That is, individuals in some societies both have greater difficulty trusting others, particularly strangers, and also have a higher distrust of them (Lewicki *et al.*, 1998; Huff and Kelley, 2003). Societies develop different levels of propensity to trust for a variety of reasons. One reason that has been argued to be particularly important is the level of collectivism of the society (Doney *et al.*, 1998; Yamagishi *et al.*, 1998; Huff and Kelley, 2003). According to Yamagishi *et al.* (1998),

people in collectivist societies learn to prefer belonging to a group because it is in their long-term interests to do so, given the institutional and cultural framework of the society in which they live. The group provides the social sanctions and monitoring that ensures trustworthy behaviour, and thus, individuals do not develop their own internal beliefs and judgement systems that make developing a trusting relationship with a stranger easier for individualists. Because the group plays such a key oversight role regarding the behaviour of group members, Yamagishi *et al.* (1998) argue that collectivists may have an overall lower level of propensity to trust both in-group and out-group members than members of individualistically oriented societies. The well-known resistance of Japanese firms to establishing relationships with non-Japanese firms or even Japanese firms that are not part of their *keiretsu* (industrial grouping) is an example at the aggregated level of this lower propensity to trust others in highly collectivist societies. Based on this argument, the following proposition can be offered:

Proposition 2a: HVBSs from organisational units in individualistic cultures will find it more difficult to create the trust aspect of relational social capital with HVBSs in organisational units based in collectivist cultures, and trust will be lower than with HVBSs in individualistic cultures.

Apart from whether people in a particular society have a general tendency to trust in general, they are also likely to develop trust in others using different cognitive approaches. Based on a review of previous work on trust building, Doney *et al.* (1998) delineate five approaches that can be taken to trust building: calculative, prediction, intentionality, capability and transference.¹ They then offer a series of arguments and propositions concerning the impact of cultural background on a trustor's likelihood to use a particular approach to developing trust in another. For example, they argue that people from individualist societies will be more likely to use a calculative approach to trust building than people from collectivist societies. A calculative approach is based on the assumption that '... given the chance, most people act opportunistically and in their own self-interest' (Doney *et al.*, 1998: 605). Because of the emphasis on the individual and his self-interest, there is a greater expectation of self-serving behaviour as well as lower social sanctions of opportunistic behaviours in individualist societies than in collectivist societies. A person in an individualist culture will be more accustomed to others' self-seeking behaviour and will calculate the benefits of cheating for the other before placing trust in him. Doney *et al.* (1998), drawing on Kluckhohn and Strodtbeck (1961), Hofstede (1980) and Clark (1990) and others, also examine how relation to risk (tolerance for ambiguity) and relation to authority (status identity) lead trustors to prefer certain approaches to building trust over others. People in risk-averse societies are generally reluctant to change and avoid actions or situations that can disrupt their relationships or lives. They will tend to look for predictability in their lives and use the past actions of the other as a basis for deciding whether to trust him or not. A calculative approach based on one's own estimation of the possible negative consequences and potential benefits of putting trust in the other is simply too fraught with dangers. Relation to authority also shapes the proclivity to use one approach to forming trust over another. In high status identity societies, competition and conflict between people at different levels of the power structure will be high, lowering their

use of intentionality process (*i.e.* ascribing benevolent intentions and altruism to the other) in forming trust. Doney *et al.*'s (1998) extensive arguments, partially described here, provide a clear reasoning for why people from cultures that differ greatly on these cultural dimensions will have different cognitive assumptions concerning how a person demonstrates trustworthiness, and utilise approaches to forming trust based on these assumptions. While it may be natural for a person from the USA (high individualist society) to utilise a calculative approach to forming trust in Mexico, many Mexicans (because of high status identity and greater collectivism) might be reluctant to do so. A proposition can be offered that captures some of the main differences that can be expected:

Proposition 2b: Because HVBSs from individualist cultures with high tolerance for ambiguity tend to prefer calculative approaches to forming trust, they will have more difficulty forming trust with HVBSs from collectivist cultures with low tolerance for ambiguity that prefer prediction and intentionality approaches than with HVBSs from cultures similar to their own. In addition, HVBS from low power distance cultures tend to prefer intentionality approaches to forming trust, making it more difficult for them to form trust with members of high power distance cultures that utilise prediction as an approach to trust.

While trust is at the core of relational social capital, the other key component is the concept of associability (Leana and Van Buren, 1999). This has also been called the reciprocity norm of social capital, the expectation that when there is high associability, a person in a relationship can forego an immediate need, goal or benefit for the greater good, in the expectation that at a future time when she is in need of something she will be accommodated. Associability is based on an expectation that the person who gave the 'favour' will probably still be part of the group in the future, and even if not, that the group is stable enough to 'remember' the act of associability. Over time, associability becomes part of the general 'good,' which people can draw upon as needed even when they do not have a prior relationship with a particular individual. Thus, one would expect that HVBSs from collectivist societies would be more likely to exhibit associability behaviours for a variety of reasons. First, collectivist societies tend to be more stable, favouring stable ties between people and a high degree of loyalty (Hofstede, 1980; Triandis, 1995). Second, in collectivist societies, there are more sanctions for deviant behaviour, including acts of non-reciprocity that in individualist societies might be tolerated because of the often-higher emphasis on personal gain. A Japanese manager in the foreign subsidiary of a Japanese firm is more likely to show high associability with other Japanese managers elsewhere in the firm because he knows that the probability is high that the person will still be there to reciprocate and that if he does not, the network is stable enough to recall and sanction the transgression should it occur. A non-Japanese manager in the same firm (particularly one from a very individualist society) may balk at a request that demands high associability because of uncertainty about ongoing association with the group and also be more likely to renege on reciprocity because of the lower effect of group sanctions on her behaviour. In short, one could predict the following:

Proposition 2c: HVBSs from collectivist cultures will find it more difficult to engage in associability behaviours with HVBS from individualist cultures than with HVBS from other collectivist cultures.

BUILDING COGNITIVE SOCIAL CAPITAL

Finally, the building of cognitive social capital may differ across cultural contexts and hence influence the ability of HVBSs to build social capital with others in the global network. Cognitive social capital requires the acceptance of norms, values and systems of meaning that are shared by the group. Inkpen and Tsang (2005) point out two key facets of cognitive social capital: shared goals and shared culture. Cognitive social capital entails the acceptance of common group goals, as well as '... a common understanding and approach to the achievement of network tasks and outcomes' (p. 153). Nurturing and acting on individual goals, particularly if they detract in some way from the achievement of group goals, is frowned upon. Shared culture '... refers to the degree to which norms of behaviour govern relationships' (p. 153). Nahapiet and Ghoshal (1998) include in their definition of shared culture the ideas of shared language and codes, as well as shared narratives. While still somewhat loosely defined as a concept, the idea of cognitive social capital does provide an avenue for analysing the potential effects of culture on the formation of social capital between HVBSs. Briefly, it can be argued that HVBSs from cultures that encourage the subordination of self to the group, such as collectivist cultures, will find it easier to accept group goals in general (Ouchi, 1981) and to feel more constrained in forming or asserting individual goals that conflict with those of the group. Group membership simply matters more to them than to people from individualist cultures. With regard to shared culture, the building of a group identity (Van Vugt and Hart, 2004) may be less appealing in some cultures than others. It can be argued that in societies that value individual autonomy and ideas, such as the French (Crozier, 1964; Burt *et al.*, 2000), there will be resistance to the sense of conformity that the acceptance of a common language or code, norms and values creates. This may indeed have been the deeply rooted cause of the resistance to corporate standards on grooming that Disney initially encountered in France at its newly established amusement park. As Burt *et al.* (2000) state, 'The French are deeply committed to individual liberty' (p. 125). There will be a greater tendency in individualist societies such as the French to keep a distinct sense of separation between the organisation's identity and a person's individual identity (Burt *et al.*, 2000), making the adoption of common values, norms, language and narratives by organisational members more problematic. This leads us to a final proposition:

Proposition 3: HVBSs from individualist cultures will have greater difficulty forming cognitive social capital with HVBS from collectivist cultures than with HVBSs from similar societies.

IMPLICATIONS FOR IHRM

Many theorists argue that knowledge creation and leverage, as well as effective coordination of complex tasks, are keys to MNC success and indeed given them an

advantage over purely domestic firms. This article has shown that a major challenge to the use of social capital in MNCs is the cultural-specific ways in which social capital is likely to be conceptualised as well as formed. These challenges are particularly important to those who draw most heavily on social capital in MNCs: HVBS, at various levels of the hierarchy. Drawing on the cultural syndromes of individualism–collectivism, status identity, specific-holistic orientation and tolerance for ambiguity (De Luque and Sommer, 2000), some of the challenges in the areas of forming structural, cognitive and relational social capital (Nahapiet and Ghoshal, 1998) have been pinpointed, such as the way in which the collectivism of a society may elevate the importance of group membership when choosing with whom an HVBSs will be able to create structural social capital and how. The article argues that firms and their IHRM functions need to acknowledge and identify the kinds of challenges that HVBSs will face in successfully forming social capital with fellow organisational members from cultures that differ greatly from their own.

These difficult barriers to the creation of social capital between HVBSs in global firms present a challenge to the field of IHRM, both scholars and practitioners, and one that has recently received some attention in the literature (Gomez and Sanchez, 2005a,b; Lengnick-Hall and Lengnick-Hall, 2006; Taylor, 2006). This work has provided fruitful ideas, directions for research and cautionary advice. In this final section, I will first briefly examine the work in this area so far before turning to a discussion of how IHRM must address the issue of how HVBSs can be successful creators of social capital throughout the global network of an MNC.

In general, work in the area of IHRM and social capital in MNCs has contributed towards understanding the motivation for IHRM departments to create social capital in MNCs (Lengnick-Hall and Lengnick-Hall, 2003; Taylor, 2006) and the HR processes necessary to do so (Gomez and Sanchez, 2005a,b; Lengnick-Hall and Lengnick-Hall, 2006). Taylor (2006), for example, argues that High Performance Work Practices (Huselid, 1995; Becker and Gerhart, 1996; Becker and Huselid, 1998), at least at the HR philosophy and practice levels, may need to be instituted throughout the firm because they contribute to building social capital (Leana and Van Buren, 1999). This will lead to growing pressures within the MNC for greater IHRM integration. Focusing more on the practice levels, Gomez and Sanchez (2005a) examine the creation of social capital in organisational units situated in Latin America and provide an analysis of how different HR practices (*e.g.* performance appraisal, training, promotion, compensation) should be structured there in order to maximise the development of social capital in the unit. Some of these practices are likely to differ from what a foreign MNC practices at home, such as in the USA or Europe. For example, Gomez and Sanchez propose that providing rewards, which are often symbolic but communicate respect and appreciation, will be particularly helpful in building social capital in Latin America. They argue that this communicates a sense of the employee being part of the in-group, which is very important in the largely collectivist cultures found in Latin America. An MNC from the USA may have less expertise in the use of such rewards. The higher individualism in the USA, coupled with high materialism, leads most US firms to focus on material individual rewards such as bonuses, stock options and merit raises.

This work on HRM and social capital in MNCs shares several characteristics in common. First, most of their analysis and recommendations are aimed at creating

social capital in general in the MNC. Only occasionally do the authors focus on the role of a specific level of employee (*e.g.* manager) in creating social capital (Gomez and Sanchez, 2005a; Hitt *et al.*, 2002). Second, the analysis is focused largely on the effect of HR processes on creating social capital, and occasionally on the capabilities and skills of the IHRM department (Gomez and Sanchez, 2005a; Lengnick-Hall and Lengnick-Hall, 2006). For example, Lengnick-Hall and Lengnick-Hall (2003, 2006) look at how the IHRM function can analyse the network of relationships that exist within the global organisation and provide avenues for increasing the number of connections between people around the global network of the firm. All of these analyses and recommendations are useful for identifying the processes that support the general creation of social capital but are not specific in terms of the skills and competencies that the HVBSs themselves need in order to be effective creators of social capital in MNCs. Nor are they specific in how social capital conceptualisation and formation may be influenced by the national cultural backgrounds of individual employees.

In the remainder of this article, I will briefly analyse for illustrative purposes, based on my previous analysis, a few competencies that might be particularly important for HVBSs to develop in order to become effective creators of social capital internationally. I will focus on the creation of competencies necessary for forming structural social capital. This analysis assumes that IHRM can identify the HVBSs the firm presently employs and where in the firm they are located (a fairly large assumption, it must be acknowledged), and also assumes that the IHRM function has the knowledge and competencies itself to understand the challenges to building social capital in MNCs (Gomez and Sanchez, 2005a). It asks the question, what specific competencies or skills should IHRM try to develop in HVBSs beyond developing a 'global mindset' (Hitt *et al.*, 2002; Levy *et al.*, 2007) or a general cultural intelligence (Early and Gardner, 2005) that will enable them to develop social capital company-wide.

If we look at the building of structural social capital as an example, the analysis provided in the first part of this article indicates that HVBSs must be able to recognise the ways in which relationships are formed in different cultures. This will entail several skills. First, they must learn to recognise the ways in which different societies see the boundaries around their own social groups and learn to adjust their own social boundaries to include those who would not ordinarily be part of their in-group. For example, an HVBS from China would need to recognise that developing relationships with those who are not part of his normal *guanxi* network, particularly those who are from non-Chinese backgrounds, may be necessary in order to develop the social capital he, and the firm, needs. This adjustment of boundaries may mean ignoring certain characteristics that would ordinarily lead to exclusion of someone from his *guanxi* network, such as age, sex or race. For example, a young female HVBS from the headquarters of a Western MNC may at first be perceived as not important to add to the *guanxi* network of an older, male Chinese counterpart in Shanghai. But it is not just expansion of boundaries that may be required. For example, HVBSs from low status identity societies such as Denmark may need to adjust the way in which they form a relationship with a person significantly lower on the hierarchical scale, utilising an intermediary in certain cases or including others from the target person's group as well. Obviously, the IHRM system (*e.g.* through training and development) will need to help HVBSs to develop

both the self-awareness of their own cultural preferences in establishing relationships and the skills to create relationships with different kinds of people than they are accustomed to, and to form the relationships in ways that are novel to them.

While I have only discussed the formation of structural social capital, the same kind of analysis could be applied to the competencies required to build relational and cognitive social capital across cultural boundaries. Future research should investigate this area of the required competencies with greater rigour than space here permits. While 'boundary spanning' has been recognised as a key competency required for global managers (Beechler *et al.*, 2004; Bird and Osland, 2004), the more specific boundary-spanning skills required of individuals to build and maintain different dimensions of social capital have not been clearly conceptualised or investigated empirically. One step that has been taken in this regard by Beechler *et al.* (2004) is the identification of the base traits that HVBSs must possess in order to become effective boundary spanners. These are integrity, humility, inquisitiveness and hardiness. They go on to identify other competencies for becoming an effective boundary spanner, such as global mindset, mindful communication, and creating and building trust. They point out that effective global boundary spanners must 'know who' in order to be effective transmitters of both explicit and tacit knowledge and that the networks they create through boundary-spanning activities lead to greater social capital. They do not, however, address the questions raised in this article of what skills a HVBS needs to identify 'who' it is necessary or permissible to know and how to form these relationships. In short, the area of competencies for building social capital in global firms between HVBSs is an area that IHRM research and practice needs to address with some dispatch, given the increasing recognition of the importance of social capital in global firms at many hierarchical levels. Further, as Gomez and Sanchez (2005a) discuss, this urgent need also raises the issue of the competencies required of those within the IHRM function who identify and develop those competencies and the need for increased scholarly attention to the staffing and role of this important function in global firms.

Note

1. Doney *et al.* (1998: 604) provide the following definitions of the five approaches to forming trust:

Calculative: trustor calculates the costs and rewards of a target acting in an untrustworthy way.

Prediction: trustor develops confidence that a target's behaviour can be predicted.

Intentionality: trustor evaluates a target's motivations.

Capability: trustor assesses a target's ability to fulfil his or her promises.

Transference: trustor draws on proof sources from which trust is transferred to a target.

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