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Connecting managers' international work experience, advice networks, and subsidiary-unit performance: a social capital perspective

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Abstract

Purpose – We examine whether and why subsidiary-unit managers' prior international work experiences across multinational enterprises (MNE) home and host countries impact their subsidiary-unit performance, considering the mediating effect of their advice networks.

Design/methodology/approach – A survey of 222 subsidiary-unit managers (154 PCNs and 68 HCNs) of a Korean MNE operating in China, Vietnam, Thailand, Singapore, Hungary, and Slovakia was conducted. We analyzed the data using partial least square structural equation modeling, multi-group analysis, and bootstrapping techniques.

Findings – Parent country national (PCN) subsidiary managers with more prior international work experience manage better-performing units due to the strength of the manager's advice networks across local parties. However, for host country national (HCN) subsidiary managers, we did not find such mediating roles of the size and strength of their advice networks in the MNE home country.

Originality/value – We provide novel insights and empirical evidence about the effect of the length of prior international work experience of subsidiary managers on their advice-seeking networks and subsidiary-unit performance. In addition, we draw on and add to the social capital theory about how international work experience impacts dealing with local businesses and the relationship with corporate headquarters.

Keywords International experience, parent country nationals, host country nationals, social capital theory, advice network, subsidiary performance, South Korean MNEs

Paper type Research paper

1. Introduction

When multinational enterprises (MNEs) make staffing decisions, they typically choose between a parent country national (PCN) or a host country national (HCN) for their subsidiary managers (Lazarova, 2006). It's important to consider whether a manager is a PCN or HCN, since they will have different connections both internally and externally (Suutari *et al.,* 2013). PCNs may have strong headquarter (HQ) connections but lack local market knowledge and access to business networks, leading to incomplete communication with local partners (Zulkifly *et al.,* 2019). By contrast, HCNs may have better contacts in the local market but can have difficulties in communicating with the HQ due to their lack of key contacts in the HQ (Sekiguchi *et al.*, 2019).

However, today's highly competitive environment requires significant demand for managers who are able to understand how international interdependencies among internal and external organizations can be managed effectively (Holtbrügge and Mohr, 2011) and how to manage in culturally and institutionally distant markets (Li and Scullion, 2010). Working abroad can provide people with valuable knowledge and skills that may not be available in their home country. For example, inpatriation, which involves transferring HCNs to the HQ semi-permanent, allows them to form social connections with colleagues at the HQ (Reiche, 2012). Having prior international work experience can make adapting and interacting with local stakeholders easier, which can affect a subsidiary's business (Rickley, 2019; Takeuchi *et al.*, 2019). Therefore, we focus on specific aspects of international experiences related to advice networks across borders rather than general experiences. We are specifically interested in looking at country-specific international experiences that contribute to building advice networks and improve overall performance (Schmid and Wurster, 2017).

In the International Business literature, an individual's international experience has been highlighted as a key factor for performance (Le and Kroll, 2017), whether they are CEO of a subsidiary or a larger unit. The CEO's international experience has been regarded as a key attribute in upper echelon theory (e.g., O'Reilly *et al.*, 2018), recognized as an essential resource for the organization in the resource-based view (e.g., Carpenter *et al.,* 2001), or explained as a key factor that develops individuals who are eager to, and able to, gain useful advice from a group of people in similar social positions in social identity theory (Lomi *et al.,* 2014). While the literature has focused on the impact of a top manager's international experience on performance from various theoretical perspectives, it remains unclear whether and how the international experience of their subordinates affects unit performance.

A top-level manager usually determines a strategy, but the actions and behaviors of mid-level professionals shape how the strategy is formed and executed (Wooldridge *et al.*, 2008). In

a subsidiary, a subsidiary-unit manager may function as the middle manager. The capability to acquire job-related information is an essential element for success in such roles, yet subsidiary-unit managers often face a dearth of networks beyond their home country. To address this, MNEs may offer prospective subsidiary-unit managers with opportunities for international experience (Kim *et al.*, 2022). In addition, managers of subsidiary units are assigned individual performance targets that are closely linked to the overall performance of their unit, and the sum of their achievements is the performance of the subsidiary. As a result, building larger and more robust networks among subsidiary-unit managers with international experience can significantly enhance their unit's performance (Kim *et al.*, 2022).

Although international experience is important, how that is operationalized through advice networks is less apparent. Advice networks are crucial for managers, enabling them to exchange business strategy and managerial know-how (McDonald *et al.*, 2008) and R&D alliances (Wang *et al.*, 2020). Moreover, for subsidiary-unit managers, advice networks help them communicate with the HQ or other operations in the host country, enhancing the subsidiaries' organizational and financial performance. We explore what parameters of advice-seeking networks (size, strength: Wellman, 1983) explain the relationship between international work experiences and subsidiary-unit performance. Advice-seeking occurs when an individual makes critical decisions or deals with difficult problems and is especially effective in situations where individuals lack relevant experience, knowledge, and expertise (MacGeorge *et al.*, 2016). A subsidiary-unit manager who knows whom to contact and have relationships with individuals in the HQ as well as those who can provide needed support in a host country will help to manage challenges in a subsidiary (Cheng and Huang, 2021; Raziq *et al.*, 2021).

It could be argued that previous research on international experience has not adequately accounted for the underlying mechanisms between international experience and performance. However, we argue that there is considerable benefit in identifying these relationships. Drawing on a social capital perspective (Nahapiet and Ghoshal, 1998), our study explores how subsidiary-unit managers' international experience is related to their subsidiary-unit's performance by considering the mediating effect of their advice networks. Moreover, we compare whether there are differences in this relationship between PCNs and HCNs.

We offer several contributions to the International HRM (IHRM) – how the HRM function contributes to globalization within multinational firms (Sparrow and Braun, 2008) – and strategic management literature. First, we provide novel insights and empirical evidence to extend the line of research on the impact of individuals' international experience by identifying how a particular aspect of international work experiences influence subsidiary-unit performance.

Second, we draw on and add to social capital theory to explain how international work experience is valued in dealing with local businesses and the relationship with the HQ simultaneously in MNEs (Cheng and Huang, 2021). Third, we focus on a manager's advice networks and performance in a subsidiary-unit level, instead of a top manager's, adds a missing piece to the research on international work experience and subsidiary-unit performance, allowing us to explore precise causal mechanisms between their international experience, advice networks, and subsidiary-unit performance (Tsai, 2001).

2. Theoretical Background and Hypotheses Development

2.1 Social Capital Perspective

A social capital perspective - "the sum of actual or 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) - explains the creation of advice networks as the outcome of direct interactions between social actors (Granovetter, 1973). These may be limited in the MNE context when the actors are located in different countries (Kostova and Roth, 2003): Geographical distance and cultural differences can be a barrier to extensive personal interactions. Nevertheless, an interaction may be helpful to validate an individual's solution or plan, and it may also encourage the individual's own thinking. Through prior international work experience, individuals can build social ties and utilize them in their future work in addition to the networks they already have in their home countries (Bozkurt and Mohr, 2011; Mäkelä and Suutari, 2009), supplementing social ties that they otherwise lack (Kostova and Roth, 2003; Suutari *et al.*, 2013). Subsidiary-unit managers with such connections may obtain new opportunities and knowledge in the local environment (Aalbers *et al.*, 2014) and the acquisition of value-adding resources, especially knowledge (Birkinshaw *et al.*, 2005). The social ties that subsidiary-unit managers establish with their advisors build social capital (Carpenter *et al.*, 2012).

To grow and succeed in the global marketplace, the ability to leverage social and business networks becomes imperative (Eberhard and Craig, 2013). For this reason, MNEs have to attract, select, develop, and retain managers with international experience who can work effectively outside of their own national borders (Caligiuri, 2000). Through a range of international experiences, PCN and HCN subsidiary managers can develop cultural intelligence (Rickley, 2019), the ability to manage strategic change (Le and Kroll, 2017), and find a route to

the management board (Schmid and Wurster, 2017). These abilities and competencies are linked to performance.

The size and strength of networks is key variables. While having many contact points may allow for frequent communication with all networks, simply having many networks does not guarantee frequent communication. Therefore, the relationship between these two variables is more nuanced than expected, as it is possible to have frequent contact with a specific network despite having a smaller overall network size (Carpenter *et al.*, 2012).

2.2 Impacts of a PCN Subsidiary-unit Manager's Length of International Experience on Subsidiary-Unit Performance through their Advice Networks

People with extensive exposure to various cultures tend to be at ease with cultural differences and can blend them together. Essentially, diverse cultural experiences result in a generalization process, and the cognitive processes involved are not specific to any culture (Lücke *et al.*, 2014).

However, it is more important for a subsidiary-unit manager to understand the unique cultural norms of their respective host country. Previous international work experience in a specific country they work in eases adaptation and adjustment (Takeuchi *et al.*, 2019) and interaction with various local stakeholders affecting a subsidiary's business (Rickley, 2019). The length of international experience is important. Time spent there should be significant enough to immerse oneself in the local culture, work style, and lifestyle for better understanding and adaptation (Le and Kroll, 2017).

Initially, managers' international experiences are closely associated with their advice networks. Regarding social capital, interpersonal interaction is crucial for managers to obtain information and exchange knowledge (Kiessling *et al*., 2021; Kim *et al*., 2022). This type of interaction can greatly benefit managers in performing their duties effectively (Cross *et al*., 2001). By working in a host country, they can build relationships and extend the boundary of social capital (Kim *et al.*, 2019).

If a PCN subsidiary-unit manager from the HQ finds themselves in an unfamiliar environment in the local country, they may face difficulties. However, those with prior international work experience in the host country can rely on larger advice networks to overcome these challenges (Singh *et al.*, 2019). Given the above, we expect a PCN subsidiary-unit manager with longer prior international work experience in the host country can build larger advice networks in the host country (Zulkifly *et al.*, 2019). We therefore hypothesize:

Hypothesis 1a: *The length of a PCN subsidiary-unit manager's prior work experience in the host country is positively associated with their size of advice networks in the host country*

A wide range of international experiences across various cultures can enhance cognitive abilities, allowing individuals to recognize commonalities and differences across cultures and adapt to culturally distant environments (Caligiuri and Bonache, 2016; Lücke *et al.*, 2014; Rickley, 2019). In contrast, culture-specific experiences can help individuals interpret people's actions in a particular culture and interact and communicate with them appropriately (Maitland and Sammartino, 2015; Rasmussen and Sieck, 2015).

By possessing culture-specific expertise, individuals can more effectively access and exchange information with robust ties. Interacting with people directly in a specific place is crucial in establishing social connections and building social capital within that community (Rickley, 2019). The strength of ties is a function of the frequency of contact, reciprocity, emotional intensity, and friendship (Granovetter, 1973). The longer managers stay in a specific foreign country, the stronger networks they can acquire (Godart *et al.*, 2015). In this context, international work experience can develop abilities to interact with key stakeholders frequently across cultural differences (Rickley, 2019) and create inter-unit social ties (Reiche *et al.*, 2009).

A PCN subsidiary-unit manager needs advice networks with individuals in the host country for generating and validation solutions for problems in the host country (Mäkelä, 2007; Mäkelä and Suutari, 2009). From a social capital perspective, an established connection that acquired prior international experience encourages frequent and open communications with key stakeholders in the host country (Kiessling *et al.*, 2021). Thus, we expect a PCN subsidiary-unit manager with longer international experience is likely to develop stronger advice networks.

Hypothesis 1b: *The length of a PCN subsidiary-unit manager's prior work experience in the host country is positively associated with their strength of advice networks in the host country*

Advice networks affect important decision quality and speed (Garg and Eisenhardt, 2017; Ma *et al.*, 2020), sales growth (Ashford *et al.*, 2018), and firm survival (Chatterji *et al.*, 2019). As advice networks are composed of relationships through which individuals share information and innovative knowledge relevant to their work (Aalbers *et al.*, 2014), they give members

opportunities to exchange job-related information, business insights, managerial know-how (McDonald *et al.*, 2008) and team performance (Wang *et al.*, 2014).

In most cases, a PCN subsidiary-unit manager holds a top-level position in a subsidiary (Kang *et al.*, 2017). Social capital builds trust which nurtures the willingness to share knowledge with geographically and culturally distant employees (Adler and Kwon, 2002). Their broad range of connections enables them to identify new business prospects and gather valuable insights that can enhance overall organizational performance (Hom *et al.*, 2009).

More extensive networks offer more information and provide access to a broader range of resources than smaller ones (Liao and Welsch, 2005). With a large and diverse network, a PCN subsidiary-unit manager can redefine crucial aspects of challenges and decisions (Heyden *et al*., 2013). They can establish beneficial relationships with other executives or managers, government officials, suppliers, customers, vendors, and industry experts who possess knowledge about local business that can impact the subsidiary-unit's performance (Zulkifly *et al.*, 2019). Such advice may contain valuable information and knowledge to solve unfamiliar problems that may negatively affect performance in a host country (Heyden *et al.*, 2013). Based on this, we propose the following hypothesis:

Hypothesis 1c: *The size of advice networks of PCNs in the host country is positively associated with the subsidiary-unit performance*

Strong ties are those with frequent contacts involving the exchange of rich information (Carpenter *et al*., 2012), seeking useful information for individuals to resolve their business problems (Aalbers *et al*., 2014), and encouraging business innovation (Hernández-Lara and Gonzales-Bustos, 2018). When entities are closely connected, they are motivated to exchange ideas and share resources (Tsai, 2001), creating synergistic benefits, such as complementary or new knowledge developed to advance their competencies (Ramsey *et al.*, 2016).

Strong relationships in a host country enable PCN subsidiary-unit managers to seek advices to stakeholders of the local country about the subsidiary-unit's future business strategy, effective subsidiary-unit resource allocation, and managerial know-how for their unit. In order to effectively adapt to the constantly changing environment of local subsidiaries, it is essential to establish strong networks locally. Utilizing these networks to respond appropriately to environmental changes can yield positive outcomes for the subsidiary (Singh *et al.*, 2019). Therefore, we hypothesize the following:

Hypothesis 1d: *The strength of advice networks of PCNs in the host country is positively associated with the subsidiary-unit performance*

2.3 Impacts of a HCN Subsidiary-unit Manager's Length of International Experience on Subsidiary-Unit Performance through their Advice Networks

For multinational enterprises, inpatriates are valuable human resources. They have the chance to interact directly with people in their home country, which helps them to establish relationships and build social capital with a number of colleagues from different departments or work groups at the HQ (Reiche, 2012). Inpatriates have social networks in their home countries and parent companies, allowing them to act as boundary spanners across borders (Björkman *et al.*, 2004; Harvey *et al.*, 2011). Strong internal and external social connections provide access to valuable information and influences crucial for efficient knowledge transfer (Moeller *et al.*, 2016).

To effectively address the range of unexpected challenges that can arise in local subsidiaries, it's essential for HCN subsidiary-unit managers to establish dedicated departments and networks for R&D, sales, marketing, accounting, finance, human resource, and industrial relations. Large networks will ensure that each issue can be promptly and appropriately resolved. Inpatriates can develop more extensive advice networks available when an HCN sub-subsidiary-unit needs support from the HQ to address local issues. Therefore, we hypothesize the following:

Hypothesis 2a: *The length of a HCN subsidiary-unit manager's prior work experience in the MNE home country is positively associated with their size of advice networks in the HQ*

MNEs often choose skilled local managers and send them to the HQ as inpatriates. Initially, they may find it challenging to adjust to the work practices at the HQ, but with time, they become accustomed to both work and home life in the MNE home country. Accordingly, the duration of their work at the HQ is directly related to the formation of a network at the HQ (Moeller *et al.*, 2016). Interaction with managers in HQs is a key way for a subsidiary-unit manager from the host country to acquire information and share local issues (Kiessling *et al.*, 2021; Kim *et al.*, 2022). This type of interaction can be beneficial for a HCN subsidiary-unit manager who faces difficulties in building social capital (Cross *et al.*, 2001).

Inpatriates spend time at HQs (Reiche *et al.*, 2009), so they know their own country has social capital in HQ and can act as boundary spanners and link pins between HQ and subsidiaries (Harvey *et al.*, 2011). Accordingly, a HCN subsidiary-unit managers from the host

country who have more international experience tend to have stronger advice networks. Therefore, we hypothesize the following:

Hypothesis 2b: *The length of a HCN subsidiary-unit manager's prior work experience in the MNE home country is positively associated with their strength of advice networks in the HQ*

Increasing the number of direct relationships in a network increases the amount of information, ideas, and resources in it (McFadyen and Cannella Jr, 2004). For example, information and advice about buyers, consumers, competitors, pricing, and promotions allow sales managers in a host country to evaluate the possibility of business success (Dyer and Ross, 2008). In addition, more extensive networks contain more capacity for information than smaller networks and provide access to different resources and opportunities to look at problems from different perspectives (McDonald *et al.*, 2008).

Inpatriates can establish social connections with colleagues across multiple divisions or teams within the HQ (Reiche, 2012). A robust internal and external social interface, that provides access to information and influence has been associated with effective knowledge transfer (Hansen, 2002; Moeller *et al.*, 2016). A HCN subsidiary-unit manager can, for example, contact networks at the HQ and build social ties with the HQ colleagues in different departments or work groups (Reiche, 2012), so that they not only know their own country but also have networks in the HQ (Kiessling *et al.*, 2021), potentially enhancing their unit performance. Therefore, we hypothesize the following:

Hypothesis 2c: *The size of advice networks of HCNs in the HQ is positively associated with the subsidiary-unit performance*

Through inpatriation, HCN subsidiary-unit managers might build a personal advice network by having frequent, multiple, and longer-tenured contacts with the HQ for extensive firm performance outcomes (Wang *et al.*, 2014). A more robust network tie implies that even though subsidiaries are located in a different country from the parent country, they are closely related to stakeholders through cooperation (Tsai, 2001).

The strong relationship with HQ may enhance an understanding of how to influence organizational decision-making processes for future corporate business strategy on behalf of a subsidiary (Björkman *et al.*, 2004; Kostova and Roth, 2003). HCN subsidiary-unit manager who

fits in a subsidiary can construct networks with diverse stakeholders in the HQ that might open new opportunities and provide useful information for higher performance. In particular, since the parent firm's current strategy may continue to change as the business environment changes, it is necessary to contact the HQ manager frequently to confirm this and align the strategy of subsidiaries or subsidiary-units. Therefore, we hypothesize the following:

Hypothesis 2d: *The strength of advice networks of HCN in the HQ is positively associated with the subsidiary-unit performance*

Our research model is shown in Figure 1 and 2.

Insert **Figure 1** about here

Insert **Figure 2** about here

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3. Methodology

3.1 Sample and Procedures

Our analysis is based on a sample of subsidiary-unit managers of South Korean MNEs. South Korean MNEs, often globally competitive players in their respective industries (Kim and Tung, 2013), are relatively less studied than MNEs from the USA, Europe, and Japan.

We conducted preliminary semi-structured interviews with ten subsidiary managers at one company to validate and refine measures and help us identify constructs and relationships. Then, we conducted a survey with managers in subsidiaries of 15 South Korean MNEs based on (1) their international presence, (2) their leading positions in their respective industries, and (3) accessibility. The ratios of international revenue to total revenue ranged from US $13 million to US $178 billion at the time of the inquiry, and thirteen of them were on the 2016 Fortune 500 list. In total, we collected data from managers in 78 subsidiaries.

Sending a survey to subsidiary-unit managers produced an insufficient (8.0%) response rate. So, data were collected through on-site visits to China, Vietnam, Thailand, Singapore, Hungary, and Slovakia. Eventually, we collected data from 222 subsidiary-unit managers. Table

1 shows the respondent demographic information. The respondents include 154 PCNs (69.4%) and 68 HCNs (30.4%).

Insert **Table 1** here

3.2 Measures

We adapted survey measures to assess the subjective constructs from previous studies. In contrast, objective data were collected to measure the dependent variable and control variables.

- **The length of prior (international) work experience** was measured by summing years of prior international work experience (Hamori and Koyuncu, 2011; Le and Kroll, 2017). Specifically, we asked PCN subsidiary-unit managers for the total length of their prior work experience in the host country they are currently working in and HCN subsidiary-unit managers for the total length of their prior work experience in the MNE home country.
- **The size of advice networks** was defined as the total number of contacts an individual currently has (Semrau and Werner, 2014). The PCN subsidiary-unit managers were asked to indicate the affiliation and name of each contact point, and we calculated the total number of contact points, including (1) managers in the subsidiary they currently work in, (2) external parties in the host country (e.g., government officers, suppliers, customers, vendors, and experts in other companies, including MNEs). On the other side, HCN subsidiary-unit managers were also asked to indicate the total number of managers in the HQ.
- **The strength of advice networks** was measured by asking each subsidiary-unit manager questions for each of their contacts, drawn from McDonald *et al.* (2008): How often during the previous twelve months did you seek advice concerning the subsidiary's future business strategy, the parent firm's current strategy, the effect of the subsidiary's resource allocation, and managerial know-how? Answer categories were (1) never, (2) less than once a month, (3) 1~3 times a month, (4) 1~3 times a week, and (5) daily.
- **Subsidiary-unit performance** was measured by the ratio of goal achievement (Dowling, 2008). We asked respondents for the results from the company's performance management system.

As control variables, we used:

- **Subsidiary-unit characteristics** including *age*, which is operationalized as the natural logarithm; *size* as the logarithm of the total number of unit employees (Peng and Beamish, 2014).
- **Country characteristics**, we included *host country GDP*, measured as the logarithm of GDP in 2016 (World Bank, 2016). GDP might allow firms to capture market growth opportunities or larger market merits (Delios *et al.*, 2008).
- **Parent firm characteristics,** including *industry category*, were measured by creating a series of dummy codes (Kobrin, 1991), 1 = Manufacturing, 0 = Others (Metal, Information technology, Construction, Services, Finance, Beverage, and Insurance).

3.3 Analytic Approach

We used the partial least squares (PLS) method because it is suitable for relatively small samples (Gefen *et al.*, 2000) and analyzing multi-group analysis to measure moderation across multiple relationships (Cheah *et al.*, 2020; Matthews, 2017).

Three procedures were followed to reduce the risk of common method bias: (1) explicit statements on the nature of the research project and protection of respondent anonymity (Nancarrow *et al.*, 2001; Podsakoff *et al.*, 2003); (2) placing the dependent variables after the independent, mediating and moderating variables (Williams *et al.*, 1989); (3) several reverse-scored items were included in the principal constructs to reduce acquiescence problems (Podsakoff *et al.*, 2003). Based on these results, common method bias is unlikely to be a concern in the data.

4. Results

4.1 Assessment of measurement model

We conducted correlation and descriptive statistics, as provided in Table 2. All correlation coefficients between the variables are less than 0.60.

Insert **Table** 2 about here

Subsequently, we also conducted discriminant validity using HTMT technique (Henseler *et al.*, 2015) on data sets. All the discriminant values exceed the threshold value of HTMT.85 and HTMT Inference (Henseler *et al.*, 2015). As a result, discriminant validity is also established.

4.2 Assessment of structural model

We tested our structural model by applying a bootstrapping resampling technique, 5,000 bootstrap samples, and no significant change option (*See* Figure 3 and 4).

Insert **Figure 3** about here

Insert **Figure 4** about here

The results related to Hypothesis 1 are as follows. The length of a PCN subsidiary-unit manager's prior work experience in the host country has a positive and significant effect on the size of advice networks in the Host country (β = 0.226, p <0.01). There was no significant relationship between the size of advice networks in the host country and subsidiary-unit performance. In addition, the length of a PCN subsidiary-unit manager's prior work experience in the host country directly impacts the strength of advice networks in the host country (β = 0.191, p <0.01). The strength of advice networks in the host country positively affects subsidiary-unit performance (β = 0.224, p < 0.01). Regarding control variables, subsidiary age negatively impacts the subsidiary-unit performance (β = -0.248, p < 0.01). However, we found no significant effects of the other three control variables (i.e., host country GDP, total number of subsidiary employees, and industry) on the subsidiary-unit performance. In summary, H1a, H1b, and H1d are supported, and H1c is not.

Regarding Hypothesis 2, no significant relationship was observed between the length of a HCN subsidiary-unit manager's prior work experience in the MNE home country and the size or strength of the advice networks in the HQ. Furthermore, no significant correlation was found between the strength of advice networks in the HQ and subsidiary-unit performance. Conversely, the size of advice networks in the HQ was found to have a positive and significant impact on the subsidiary-unit performance (β = 0.319, p < 0.01). However, the control variables demonstrated no significant effects on the subsidiary-unit performance. In summary, H2c is supported, while H2a, H2b, and H2d are not.

5. Discussion and Implications

5.1 Discussion

We aimed to explore how the duration of prior international work experience of subsidiary-unit managers in a specific country is related to the size and the strength of advice networks of subsidiary managers in both the corporate HQ and the host country and their unit performance in a subsidiary.

Our results reveal that when a PCN subsidiary-unit manager has more prior international work experience in terms of length of experience in the host country, the subsidiary-unit shows better performance and that this is due to the strength of the PCN manager's advice networks across local parties. In other words, the strength of advice networks completely mediates the relationship between the duration of prior international work experience and subsidiary-unit performance (Hypothesis 1b and 1d are supported).

This implies that variety in a PCN subsidiary-unit manager's international experiences during a long stay is more valuable than during a short stay due to developing strong advice networks with stakeholders in the host country. No matter how numerous advice-givers a PCN subsidiary-unit manager has, it's not easy to gain satisfactory responses if they don't contact them often (Hypothesis 1a is supported, but 1c is rejected). Frequent contact with any one person builds a trust-based relationship and facilitates open communication and tacit knowledge (Ma *et al.*, 2020). Thus, PCN subsidiary-unit managers can improve subsidiary-unit performance through frequent contacts. Since Hypothesis 1b and 1d is supported, this raises questions about claims in previous research about the positive impact of the duration of international experience on social capital (Bozkurt and Mohr, 2011; Mäkelä and Suutari, 2009).

However, all hypotheses related to HCN subsidiary-unit managers (Hypothesis 2a, 2b, and 2d) were rejected, except for Hypothesis 2c. The descriptive statistics in Table 2 indicate that the average length of international experience for an HCN subsidiary-unit manager is 1.539, 1.94 times longer than that of a PCN, whose average is 0.795. Furthermore, the standard deviation for HCNs is 3.516, 2.35 times higher than the 1.497 for PCNs. It could be interpreted that the significance of experience duration as a determinant for advisory network might not be uniform across the varied duration. A study with much more cases with different experience duration might offer deeper insight on these results.

Previous studies have emphasized the positive effect of inpatriation (e.g., Harzing *et al.*, 2016; Kiessling *et al.*, 2021), but our findings suggest otherwise. To fully benefit from

inpatriation, it is essential to create networking opportunities for inpatriates (Zulkifly *et al.*, 2019). It involves connecting them with valuable individuals during their time at HQ. Neglecting this aspect could limit the value of inpatriation, as it appears that having diverse networks can lead to improved performance based on the evidence supporting Hypothesis 2c.

We believe the reason can be found in their different status and the unique language of South Korean MNEs. It is crucial to have a shared language as it can help to improve interpersonal relationships, build trust, socialize, and create teamwork (Jonsen *et al.*, 2011). Specifically, having a common language promotes better communication between inpatriates and managers in the HQ, making it more effective (Marschan-Piekkari *et al.*, 1999). According to Froese *et al.* (2016), when a South Korean MNE does not use Korean but English as a common corporate language, there is a lower likelihood of inpatriate turnover intention. It might indicate that MNEs can keep and utilize their inpatriates better by implementing a common corporate language.

In addition, South Korean MNEs are largely ethnocentric (Yang and Kelly, 2009). Generally, a staffing strategy is adopted based on ethnocentrism - assigning PCNs to key positions in the subsidiaries (Kang *et al.*, 2017), with HCN subsidiary managers in lower positions than PCN managers and most senior positions in subsidiaries taken by PCNs (Harvey and Buckley, 1997). It is not easy for HCNs to be socialized in the HQ environment during inpatriation (Van Maanen and Schein, 1977). As South Korean MNEs lack trust in HCNs (Kang and Shen, 2014), those HCNs had difficulty creating trustworthy relationships with managers of the HQ during their stay there and have problems in building relationships generally while working in South Korea (Froese *et al.*, 2016). That is, even HCN subsidiary-unit managers who have experienced working at the MNE HQ have difficulty building advice networks with HQ managers. PCNs can occupy an advantageous position in establishing advice networks in a local country by utilizing their superior position (Harzing *et al.*, 2016). However, in South Korean MNEs, it is not easy for HCNs to establish meaningful advice networks even if dispatched to the HQ, because of their lower status (Reiche and Harzing, 2015). Therefore, there is a difference in the impact of PCNs' and HCNs' prior international experience on advice networks and performance in South Korean MNEs.

5.2 Theoretical Implications

Our study contributes in four ways to the international experience, social capital, and performance in MNEs literature. First, we identified advice networks as a link between

international work experience and subsidiary-unit performance. There has been only limited study of the mechanisms for how international experience leads to performance. Our evidence leads us to suggest advice networks as a linking pin since they are among the most critical social capital for subsidiary-unit managers. Researchers have emphasized the antecedents of networks (e.g., Bozkurt and Mohr, 2011) and the importance of networks in enhancing organizational and financial performance (e.g., Ashford *et al.*, 2018; Chatterji *et al.*, 2019; Wang *et al.*, 2014). Multiple international relocations are positively related to social capital (Mäkelä and Suutari, 2009), and international experience at the top level is positively associated with broader external advice networks (Collings, 2014). Such studies have been valuable, but we can add an integrated approach, including performance.

Second, in addressing the international experience/subsidiary performance relationship, our study extends our understanding of social capital by revealing that international work experience is important for enhancing subsidiary-unit performance. The creation of social ties is recognized as a key issue in IHRM (Taylor, 2007). A subsidiary-unit manager with international work experience can develop advice networks strongly embedded in the organization's current work (Andresen, 2015). Individuals with a high level of bonding develop more sense of obligation in ties and have more difficulty leaving their organization (Hom *et al.*, 2009). Size and strength are widely used to measure the degree of networks. Notably, we show empirically that prior international work experience in the host country of PCN subsidiary managers is positively related to the strength of advice networks and subsidiary-unit performance. Specifically, we identify the strength of interpersonal relations as more important than the total number of relations. Our finding is consistent with the argument that gaining information and knowledge from frequent contacts is more important than broader connections for enhancing performance (McFadyen and Cannella Jr, 2004).

Third, our study contributes to the subsidiary staffing literature - the decision about whom to appoint to key positions in a subsidiary - by addressing the importance of advice-seeking networks. Subsidiary staffing strategies have taken the context into account, mainly through the power structure of the MNE (Lee, 2022), intra- and inter-regional diversification (Lee, 2019), societal trust, and formal institutions (Gaur *et al.*, 2022). We extend that to include intra-MNE factors, such as accessibility to advice-seeking networks and adopting a social capital perspective on advice relations. In addition, most previous studies have focused on how traditional staffing options (e.g., expatriates) affect adjustment and performance in the focal country (e.g., Bozkurt and Mohr, 2011; Takeuchi *et al.*, 2019). However, we focus on alternative subsidiary staffing options, such as PCNs with prior international experience in the

host country and HCNs with prior international experience in the MNE home country (Kim *et al.*, 2019).

Finally, the unit of analysis of our study is not the individual but a business or functional unit in a subsidiary which can be defined as an organizational unit that reports directly to the head of a subsidiary. In strategic management, the characteristics of the CEO, especially their previous international experience, are regarded as important strategic assets, and how this affects performance has been studied (e.g., Bertrand *et al.*, 2021; Le and Kroll, 2017). However, previous studies have ignored subsidiary managers (Herrbach, 2006) or included them in broader samples (Wang, 2004). As a result, managers of MNE subsidiaries have received less attention despite their important roles and responsibilities. Thus, we focus on managers' international experience subsidiary-unit level.

5.3 Practical Implications

We can now contribute suggestions about how MNEs can select and deploy their potential subsidiary-unit managers more effectively. First, since appropriate selection systems for international managers are important to reduce failure rates and improve subsidiary-unit performance (Singh *et al.*, 2019), the previous international work experience of potential candidates should be considered an important selection criterion. So, we suggest that IHRM practitioners should be prepared to send more employees to foreign countries more frequently to increase their potential candidate pool.

Second, our study identifies the strength of advice networks of PCN subsidiary-unit managers as critical for the international work experience and subsidiary-unit performance relationship. To improve productivity, it is imperative that MNEs take the initiative to connect their subsidiary-unit managers with pre-existing networks instead of burdening them with the task of creating multiple networks from scratch. This will lead to a more streamlined process of accessing relevant advice, thereby optimizing efficiency.

Third, it is necessary to operate inpatriation practically. During working at the HQ as inpatriates, substantial support is needed so that inpatriates can build deeper relationships with HQ managers. For example, because there is no advice network in the HQ, it is difficult for HCNs to establish their own networks in a culturally different country. HQs can designate mentors and enable inpatriates to network with HQ managers (Kiessling *et al.*, 2021). Moreover, expanding resources on language and cultural understanding at HQ to increase opportunities for communication with HQ managers can help establish advice networks.

5.4 Limitations and Future Research

Like all research, this study has limitations. First, it is based on a cross-sectional design and a self-reported survey since resources did not allow more elaborate procedures. Future longitudinal research and analysis of results from multiple respondents would be useful.

Second, our data is taken from South Korean MNEs. Whilst this is an under-researched group, investigations of the international experience-advice networks relationship in other countries' MNEs would be valuable (Hamori and Koyuncu, 2011). We add to the knowledge of a comparatively under-researched country, but this inevitably raises generalizability concerns (Gaur *et al.*, 2007). Scholars have identified substantial differences in HRM policies between countries (Brewster *et al.*, 2018), which should be investigated further. Another sampling issue is that most of our respondents, as is typical of South Korean MNEs, were from China, Vietnam, Thailand, and Singapore. Also, our sample is of larger South Korean MNEs, and smaller companies or public organizations in the same country may be different.

Finally, we focused on past international work experience because our research concerned MNEs' staffing choices. However, current international work experience (i.e., an expatriates' experience in the current subsidiary and HCNs experience in the current subsidiary) may influence advice networks. Despite these limitations, our findings are robust and indicate that international work experience and advice networks are important factors closely linked to subsidiary-unit performance.

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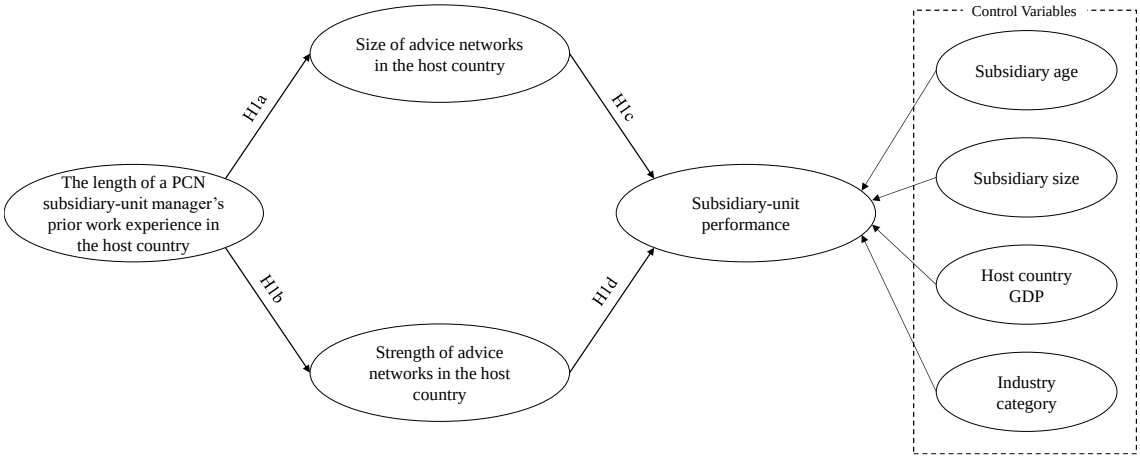
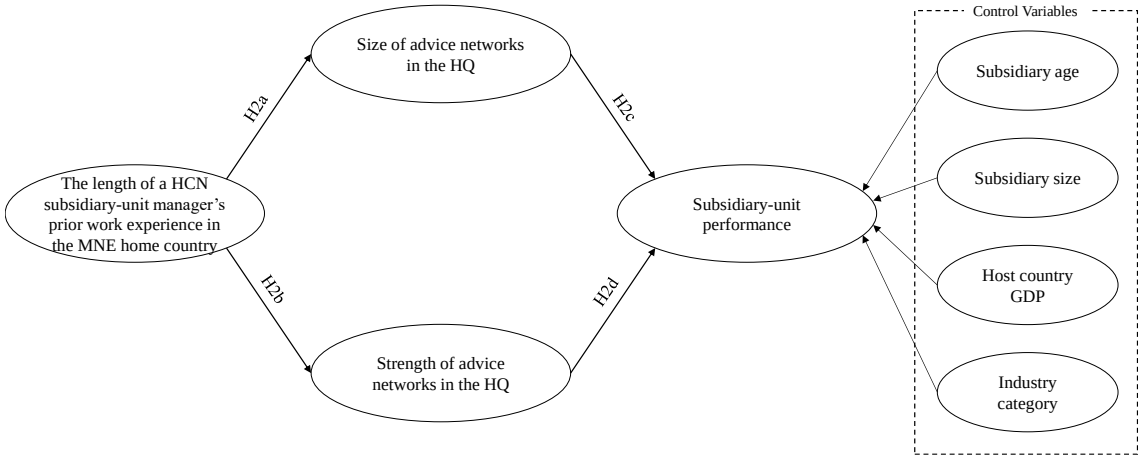
[Figure 1. Research model for PCNs]



[Figure 2. Research model for HCNs]



[Table 1. Demographics statistics]

		PCNs		HCNs		Full sample	
		Frequency	%	Frequency	%	Frequency	%
Total tenure in entire career	1~5 years	1	0.6%	0	0.0%	1	0.5%
	6~10 years	8	5.2%	2	2.9%	10	4.5%
	11~15 years	41	26.6%	21	30.9%	62	27.9%
	more than 16 years	104	67.5%	45	66.2%	149	67.1%
Job grade	Manager	27	17.5%	14	20.6%	41	18.5%
	Senior Manager	54	35.1%	34	50.0%	88	39.6%
	Director	72	46.8%	17	25.0%	89	40.1%
	Executive	1	0.6%	3	4.4%	4	1.8%
Gender	Male	152	98.7%	52	76.5%	204	91.9%
	Female	2	1.3%	16	23.5%	18	8.1%
Age	31~35	1	0.6%	4	5.9%	5	2.3%
	36~40	20	13.0%	21	30.9%	41	18.5%
	41~45	69	44.8%	25	36.8%	94	42.3%
	46~50	57	37.0%	13	19.1%	70	31.5%
	51~55	7	4.5%	5	7.4%	12	5.4%
Total		**154**	**100.0%**	**68**	**100.0%**	**222**	**100.0%**

[Table 2. Descriptive statistics and correlations]

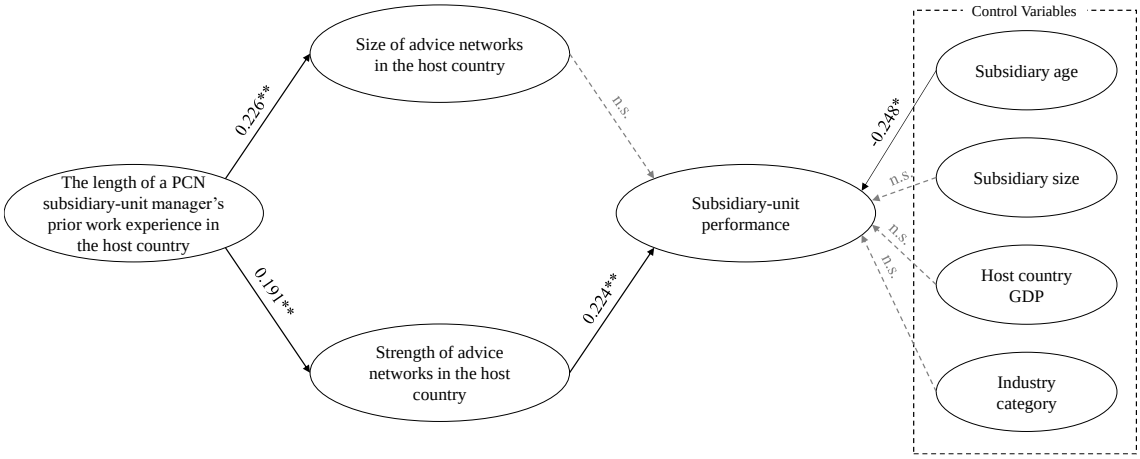
PCNs (N=154)

Variables	Min	Max	Mean	SD	1	2	3	4	5	6	7	8
1. The length of a PCN subsidiary-unit manager's prior work experience in the host country	0.000	12.333	0.795	1.497	1.000							
2. Size of advice networks in the host country	0.000	11.000	4.942	3.382	0.226	1.000						
3. Strength of advice networks in the host country	0.000	5.000	3.657	0.900	0.191	0.612	1.000					
4. Subsidiary-unit performance	20.000	230.000	94.292	20.388	0.079	0.237	0.334	1.000				
5. Subsidiary age	2.200	6.800	4.539	0.805	0.010	-0.149	-0.270	-0.317	1.000			
6. Subsidiary size	3.200	11.100	7.975	2.516	0.066	0.213	0.277	0.150	-0.325	1.000		
7. Host country GDP	11.100	16.700	13.885	1.904	-0.048	-0.168	-0.177	-0.081	0.258	-0.539	1.000	
8. Industry category	0.000	1.000	0.558	0.498	0.038	0.268	0.204	0.053	-0.157	0.654	-0.421	1.000

HCNs (N=68)

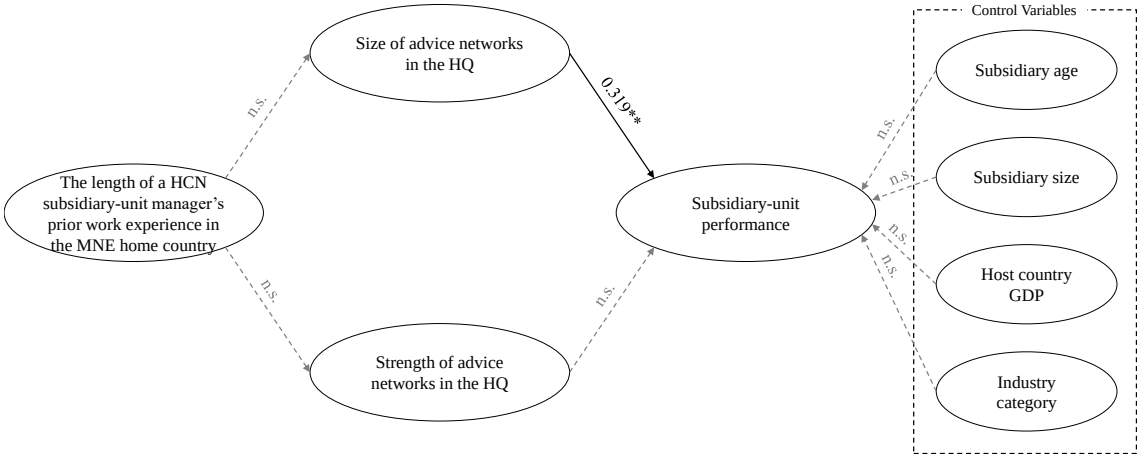
Variables	Min	Max	Mean	SD	1	2	3	4	5	6	7	8
1. The length of a HCN subsidiary-unit manager's prior work experience in the MNE home country	0.000	21.250	1.539	3.516	1.000							
2. Size of advice networks in the HQ	0.500	11.000	5.191	2.791	0.126	1.000						
3. Strength of advice networks in the HQ	2.000	4.800	3.737	0.683	0.153	0.292	1.000					
4. Subsidiary-unit performance	50.000	110.000	88.588	10.087	0.102	0.326	0.062	1.000				
5. Subsidiary age	3.700	5.900	4.984	0.802	-0.316	0.071	0.041	0.011	1.000			
6. Subsidiary size	3.200	8.800	7.141	1.456	0.071	0.188	0.140	0.170	0.203	1.000		
7. Host country GDP	11.400	16.700	14.806	1.729	-0.100	-0.178	0.064	-0.088	-0.462	-0.231	1.000	
8. Industry category	0.000	1.000	0.471	0.503	0.056	0.180	0.036	0.039	-0.073	0.222	-0.197	1.000

[Figure 3. Structural model testing results for PCNs]



$Note$: $*: p < 0.05$, $**: p < 0.01$, $***: p < 0.001$, n. s.: non − significant at the 0.05 level

[Figure 4. Structural model testing results for HCNs]



$Note$: $*: p < 0.05$, $**: p < 0.01$, $***: p < 0.001$, n. s.: non − significant at the 0.05 level