

# **Affective networks, informal ties, and the limits of expatriate effectiveness**

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## ***Abstract***

Expatriate effectiveness research has so far rarely taken into account the influence of social networks on expatriate performance and adjustment. Likewise, antecedents of social networks remain poorly understood. We fill this research gap by exploring the situation of expatriates in South Korea. Based on expert interview data, we have discovered seven antecedents critical to expatriate effectiveness. Most antecedents hinder expatriate effectiveness due to the expatriates' inability to become a part of so-called *Yongo* networks, a distinctive type of social tie in South Korea that is to a great extent determined by birth. As a consequence, it is in particular expatriates' relational performance and interaction adjustment that is negatively influenced by *Yongo*. Based on the South Korean case, this study advises future research to more deeply study the nature and characteristics of the local social context, in particular affective ties, and extend research on expatriate effectiveness in this important dimension. Finally, we discuss practical implications important for multinational corporations and provide suggestions on how to better cope with exclusive informal social networks while on an assignment abroad.

***Keywords:*** Expatriation, expatriate effectiveness, informal social networks, *Yongo*, South Korea

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## 1. Introduction

Owing to increased business activities by multinational corporations (MNCs) as well as to the further opening of new and large overseas markets (e.g., China, India, Brazil), the use of the expatriate manager has steadily increased within recent decades (Harrison, Shaffer, & Bhaskar-Shrinivas, 2004; Harzing, 2001a, 2001b). In fact, a recent survey by PricewaterhouseCoopers found that expatriation has increased by 25% in the last ten years and this is projected to further grow to 50% by 2020 (PricewaterhouseCoopers, 2012). International assignments represent a significant cost factor for a firm. Considering an assignees fringe benefits and the potential cost attached to the relocation of the expatriate's family, expatriates are significantly more expensive for a firm than local employees are. Moreover, the success and failure of the expatriate has a direct impact on the performance of the MNC's investment abroad (Wang & Nayir, 2006). Hence, the effectiveness of an expatriate in the respective host country is important and a key concern for MNCs.

Expatriate effectiveness is currently a rather broad and inconsistently defined term (Mol, Born, & Van der Molen, 2005). Gordon and Teagarden (1995) regard the term expatriate success synonymous for expatriate effectiveness. Integral in this view is the level of efficiency, i.e. how an expatriate masters job-related aspects (administrative, managerial, and technical tasks) in order to meet the demands of stakeholder (e.g. customers, suppliers, headquarters, home and host-country governments, and employee representatives) without wasting resources. Expatriate effectiveness is defined as "the ability to meet stakeholder needs; the ability to negotiate with the environment; and the ability (...) to be adaptable and flexible" (Gordon and Teagarden, 1995: 18). Prior studies used to regard expatriate *adjustment* to a new culture and work environment as well as expatriate *performance* two core dimensions that determine the effectiveness of

expatriates (Bruning, Sonpar, & Wang, 2012; Chen, Kirkman, Kim, Farh, & Tangirala, 2010; Osman-Gani & Rockstuhl, 2008; Shaffer, Harrison, Gregersen, Black, & Ferzandi, 2006). A recent trend in the literature can be seen in the assessment of the environmental sphere in which an expatriate acts in the host country, which is increasingly recognized as a further important dimension affecting expatriate effectiveness. For instance, Harrison et al. (2004) observe that most previous studies tend to focus exclusively on the expatriate themselves, rather than taking into account factors related to the social environment when assessing the effectiveness of expatriates' actions. In this connection authors stress the importance of an expatriate's integration into social networks in the host country. Empirical research, though still scarce, finds a positive relationship between expatriate social ties to host country nationals (HCNs) and job performance (Mahajan & Toh, 2014). On the contrary, social ties are found to react negatively to adjustment (Bruning et al., 2012). Given the rather mixed results, scholars have called for more research in this direction. In their comprehensive review on social networks and expatriate effectiveness, Osman-Gani and Rockstuhl (2008) identify a research gap in (1) empirical research that explores the influence of the environmental context, (i.e., the integration of the expatriate in local social networks and their contribution to performance), as well as (2) a lack of understanding of the antecedents and nature of local social networks themselves. The present study attempts to enrich current knowledge in both fields by analyzing the situation of expatriates in South Korea (from this point referred to as Korea). Not only is the country home to a number of globally competitive MNCs such as Samsung, Hyundai, and LG, but their international success, the attractive domestic market, and proximity to China have led to an increase in international assignments to Korea, recently making the country a new emerging top destination for expatriates (Brookfield, 2012).

The purpose of this study is to contribute to filling the current knowledge gap on the role local social networks play on the effectiveness of expatriates and to understand their antecedents better. We approach this research by exploring the dimensions expatriates perceive as important for taking effective actions in business. Thereby we contribute to theory in two important ways. First, we propose a set of dimensions that may define factors of influence on the effectiveness of expatriates in more detail. Second, we provide a deeper insight into the antecedents of social networks, which currently lack thorough understanding (Osman-Gani & Rockstuhl, 2008). In addition to contributing to the literature on social networks and expatriate effectiveness, we believe this study has valuable implications for management practice and may help to improve the preparation of expatriates for assignments abroad.

In the following we first present the theoretical framework by examining the literature on informal business relationships, expatriate effectiveness and social networks, and connect these themes to the case of Korea. We focus on identifying research gaps, upon which research questions are derived guiding this research. Further, we illustrate the applied research methodology and present the results that we discuss in a next step by linking the results to the formulated research questions. Finally, we report on limitations and future research requirements, and provide implications for practice. The conclusion reflects on the findings.

## **2. Literature review and research gaps**

### *2.1 Informal business relationships*

Research on the formal mechanisms on how people organize and manage interpersonal transactions with others have a rich history in business and management studies. On the contrary, the informal side of it, which is often complementary, has been largely neglected thus far. The

way informal social ties and social networks are established, maintained, strengthened and governed is often embedded in the respective cultural context in which interpersonal transactions take place. Surprisingly, thus far, research exploring mechanisms of informal management and organizational practices, in general, has not generated an integral management concept or theory (Minbaeva & Muratbekova-Touron, 2013). Whereas the integration into local informal networks has been regarded important for expatriate adjustment and performance (Abdul Malek, Budhwar, & Reiche, 2015; Mahajan & Toh, 2014), there is currently a lack of knowledge in understanding the challenges expatriates face becoming a member of local social networks, as those networks are arguably as different in their nature as there are cultural differences between countries or regions. Most dominantly, the research theme on *Guanxi* has gained prominence (Buckley, Clegg, & Tan, 2006; Fang Lee Cooke, 2009; Li, Leung, Chen, & Luo, 2012; Luo, 2000), today, virtually every expatriate knows that establishing *Guanxi* is a precondition for doing business in China. While we will include *Guanxi* explicitly in our discussion at a later point, we believe that the local network view in connection to the situation of expatriates is an important extension to research focusing on factors influencing expatriate performance. For instance, in Japan, *Jinmyaku* (Gilbert, 2003) is an important factor in transactions between people. Translated into English, the term approximates ‘personal connections’. Establishing *Jinmyaku* is a lifetime process beginning in one’s school days. Whereas the Japanese are known to be rather reserved towards people they do not know, an introduction by a third person through *Jinmyaku* can open doors and help in debates or negotiations when rational arguments alone are not enough to reach agreement (Mitsubishi Corporation 2011). *Jinmyaku* relates to relationships inside the firm, with superiors, peers and subordinates, and outside the firm, i.e. with customers, decision makers in other organizations and government officials. The development of large *Jinmyaku* networks is

considered of utmost importance for decision making or as a source of information gathering from firm-external sources. Further, other forms of informal social ties and networks important for transactions either have been neglected or remain underrepresented in the expatriate literature. For instance, in India, *Dharma* (Gopinath, 1998) is of importance, as is *Blat* in Russia (Ledeneva, 2006), *Wasta* (Hutchings & Weir, 2006) and *Et Moone* in the Middle East (Abosag & Lee, 2013), *Ubuntu* in South Africa (Mangaliso, 2001), and *Jeitinho* in Brazil (Amado & Brasil, 1991; Duarte, 2006). Obviously independent of a country's economic development status and its stability and effectiveness of formal institutions, informal ways of managing and organizing affairs appear to remain intact and do not disappear over time. Whereas scholars pointed out that the concepts mentioned above are important for managing local operations, their role in moderating the effectiveness of expatriates can be regarded underresearched currently.

## 2.2 Expatriate effectiveness

While little consensus exists among scholars on what the term “expatriate effectiveness” comprises in detail, the majority agree that expatriate adjustment and expatriate performance are two important dimensions that define the term (Black, 1988; Bruning et al., 2012; Liu & Shaffer, 2005; Shaffer et al., 2006).

By building on the definitions of Caligiuri (1997) and Liu and Shaffer (2005), expatriate performance comprises the dimensions of relational and job performance (Gonzalez & Chakraborty, 2014; Peltokorpia & Froese, 2014) as well as knowledge transfer (Mäkelä, 2007, Choi & Johanson, 2012). Relational performance describes the interpersonal skills needed that positively influence job performance, such as proactive and prosocial behavior, the willingness to cooperate and help others, being a team player, and putting extra effort into tasks to complete

them successfully. Job performance refers to technical knowledge and skills in relation to the specific task to be performed. Knowledge transfer across different locations has often been regarded as challenging for internationally operating firms (Bartlett & Ghoshal, 1989; Doz, Santos, & Williamson, 2001; Choi & Johanson, 2012) and a cornerstone to establishing competitive advantage (Grant, 1996; Kogut & Zander, 1993). Expatriates are conventionally regarded as vehicles or exporters of knowledge transfer at the personal level between the parent company and the facility abroad. Two directions of knowledge transfer can be distinguished: The conventional transfer of knowledge from home to host unit (outward transfer) and the reverse direction from host to home unit (inward transfer) (Mäkelä, 2007). The latter is a rather new subject of research. Although the question of how repatriation affects the inward transfer of knowledge has been researched (Antal, 2001; Tsang, 1999), so far it is unclear what information is most valuable for the expatriate to perform successfully and how to access the channels locally through interpersonal relations. In fact, as of today we do not know much about how expatriate and home country nationals (HCNs) interact in certain socio-cultural structures and how these interactions benefit or hinder expatriate effectiveness (Liu & Shaffer, 2005; Mahajan & Toh, 2014).

Although there is disagreement on how to define the construct of expatriate adjustment in detail (Haslberger, Brewster & Hippler, 2013; Hippler, Caligiuri & Johnson, 2014), a majority of scholars agree that expatriate adjustment comprises the dimensions of general, interaction, and work adjustment. General adjustment refers to the psychological comfort of adjusting to a new environment, including comfort with the prevailing cultural standards or living conditions such as housing and transport. Interaction adjustment relates to the comfort of adjusting to the interactions with new colleagues in the work environment, the HCNs. Work adjustment relates to

the level of comfort with the tasks included in the job description and beyond of the new job to be performed (Black, Mendenhall, & Oddou, 1991; Liu & Shaffer, 2005; Shaffer, Harrison, & Gilley, 1999).

### *2.3 Expatriate social networks*

The structure of informal social networks can be described as the sum of “interconnected nodes” (Castells, 2001: 1) between actors who are informally connected. The informal nature of ties can be described as “implicitly assumed, endogenously embraced, and flexibly enforced by peer pressures horizontally in a particularistic personalized process” (Li, 2007: 229). Early social network theory implies that integration in informal social networks is beneficial for the expatriate’s effectiveness. For instance, Granovetter (1973, 1995) asserts that weak social ties between actors can lead to informational benefits and career progression, as these ties in particular transmit information to distant spheres of a network. Moreover, weak ties can bridge networks (Coleman, 1988), thereby filling “structural holes” (Burt, 1995), hence providing a higher level of information for the good of the entire network. However, managers would benefit most if they could draw on diverse, weak, and strong ties (Burt, 1997, 2000), as relying on homogenous ties solely (i.e., to peers) would only decrease the overall value of informal social ties.

In the present study we adopt the egocentric view following Bruning et al. (2012) where the expatriate (the *ego*) has ties with local *alters* (i.e., host-country national networks) through which support, knowledge, and resources are transmitted to the *ego* (Wasserman & Faust, 1994).

The contribution of an expatriates’ integration in host-country national networks (HCNNs) to expatriate performance can be regarded as a recent trend in expatriate research (

(Mahajan & Toh, 2014, Bruning et al., 2012). Prior studies have found a positive relation between an expatriate's integration in a social network and their adjustment either in terms of psychological well-being (Kashima & Loh, 2006; Wang & Kanungo, 2004; Wang & Nayir, 2006) or contact frequency (Johnson, Kristof-Brown, Van Vianen, De Pater, & Klein, 2003; Ward & Kennedy, 1993). As for job performance, the results are rather mixed. In a study among expatriates in China, Liu and Shaffer (2005) found that the number of HCNs in an expatriate's network significantly predict performance, but that, on the contrary, it did not for adjustment. Concerning the latter, personal characteristics as well as international experience (Wang, 2002), especially intercultural competence (Leung, Ang, & Tan, 2014), are generally regarded as important for an expatriate to adjust successfully to a foreign environment. Caligiuri (2000) assumes that personality is a major predictor of expatriate effectiveness. The personal traits of the expatriate (e.g., extraversion, openness) benefit expatriate effectiveness (Peltokorpia & Froese, 2012).

Overall, most studies assume that the expatriates' personality, certain traits, and a cosmopolitan outlook may be beneficial to expatriate effectiveness (Javidan & Teagarden, 2011). However, focusing on the internal dimension only ignores the external dimension, that is, the foreign social milieu (or environment), the expatriate is embedded in. In this context, the question of *environmental receptiveness* becomes important, that is, to what extent social milieus are per se able (or willing) to receive and integrate a foreign expatriate. In a comprehensive review article on expatriate adjustment and performance, Osman-Gani and Rockstuhl (2008) identify a lack of inclusion of the environmental dimension in existing studies and advise future studies to explicitly consider the nature and antecedents of informal social networks (see also Au & Fukuda, 2002; Bhaskar-Shrinivas, Harrison, Shaffer, & Luk, 2005). We follow this call by

first characterizing the nature of informal social networks by using the case of Korea, upon which we contextualize field research using the critical incident technique (Druskat & Wheeler, 2003; Flanagan, 1954).

#### *2.4 Social networks and informal ties in Korea*

Research on the experiences of expatriates in Korea is scarce. A study conducted by Froese (2012) exploring the situation of foreign professors in Korea (self-initiated expatriates) finds, among other things, that expatriates generally face fewer problems in adjusting, though language barriers exist or there are problems with the local food. Some, however, suffer from social exclusion despite the fact that substantial language barriers to internationally educated HCNs do not exist. Viewed from a different angle, few studies have examined the situation of Korean expatriates abroad and revealed the cultural characteristics of Korean expatriates (Cho, Hutchings, & Marchant, 2012; H.-D. Kim & Tung, 2013; J. Kim & Froese, 2012; K. Kim & Slocum, 2008). These characteristics are described as Confucian (typified by a high degree of respect for seniority and hierarchy) or collectivist, or are classified as a “tight culture” (clear norms and shared cognitions about behavior). They are either implicitly mentioned in terms of characteristics of Korean informal social networks or simply ignored. However, the latter is risky as ignoring informal social networks in a management context would be as negligent as ignoring the influence of *Guanxi* in Chinese management (e.g., Luo, 2000).

Past research on the Korean business context regards the conventional characteristics as distinctive, such as Confucianism-induced harmony, group orientation, or hierarchical decision-making. Recent research digs deeper into the context by pointing out distinctive features of informal management practices in Korea, such as *jeong* (emotionally driven social ties),

managerial collectives (*woori*), and clan structures found to be common in Korean organizations including Korean MNCs (Yang, 2006, 2014a, 2014b). While there is no direct translation for *jeong* in English, it can be broadly defined as a bond of affection or feelings of empathy to others. While *jeong* contributes trust in interdependent relations, it also blurs the distinction between self and others which leads to *woori*, or we-ness. Collective feeling and feeling of belongingness, *woori*, become stronger as *jeong* grows deeper (Yang, 2006). *Woori* reflects the belief that interactants hold in each other including identity (one forms *woori* membership while exchanging *jeong*), obligation (when others are in need, one feels obliged to help), and expectation (one, as a default, expects to share personalized emotions with someone's interactants) (Yang, 2006). As *jeong* grows and *woori*-belonging becomes stronger, the instrumental, work-related relationship in organizations moves gradually to more affective-oriented social ties. In the same vein, strong social norms and beliefs, associated with a high degree of *woori*-closure by engaging *jeong*, reduces the need for formal controls as Koreans tend to be fearful of breaking *jeong* at the expense of rationalism (Yang, 2006).

Though largely neglected by the international business and management literature, classifying Korean cultural norms in the conventional way can be deepened and complemented by describing Korea as a fragmented network society consisting of informal affective ties within certain homogenous camps. So-called affective networks, the sum of affective ties, denote typical social relationships in Korea and are effective in business, especially in critical situations requiring high degrees of trust (Horak, 2015; Horak & Klein, 2015). Affective networks, as described by Lew (2013), are regarded as the “missing link” in explaining Korea's rapid economic development. They provided the foundation for economic coordination and decision-making between politics and business, between businesses, and within individual firms. Whereas

Horak (2014) proposes distinguishing social ties in Korea into *Yongo*, *Inmaek*, and *Yonjul* ties, it is foremost *Yongo* that plays a role in affective networks as defined by Lew (2013). Translated into English, *Yongo* stands for “tie” (*yon*), with the notion of an affective bond between persons. This sentimental bond (*go*) exists for a reason, that is, a common background, isochronal or not, through (1) attending the same university or high school (in Korean: *hakyon*, 학연), (2) belonging to the same family (i.e., blood ties, *hyulyon*, 혈연), and (3) a shared regional origin (*jiyon*, 지연). All these bonds last for life and are usually maintained throughout life through informal gatherings of the respective groups. It can be quite time-consuming if one attends all the numerous meetings throughout the year, not to mention costly, as groups usually share costs of gifts for weddings, anniversaries, or obituaries. A distinctive feature of *Yongo* is that its ties are predefined and given by birth, with *hakyon*-based ties making the only exception as university affiliation can be rather freely chosen. It has to be noted that originally *hakyon* was rather related to high school-based ties. Given the scarcity of (comparative) social network analysis on *Yongo*, one may assume that *Yongo* is just the Korean term for *Guanxi* and its character and nature is the same. This is clearly not the case. Both have distinctive features and differ from each other remarkably. *Yongo*, as mentioned above, is ascribed. One is quasi born into *Yongo* networks. It is immutable and irreversible (with the exception of *hakyon*-based ties). Hence, *Yongo* is cause-based, whereas *Guanxi*-ties are foremost utilized in order to achieve a certain end. In the literature, *Guanxi* is most often described utilitarian, i.e. used instrumentally (Fan, 2002; Park & Luo, 2001). *Guanxi* is accessible, i.e. in principle it can be established by anybody, including expatriates. This fact makes an informal social network diverse in terms of its members’ personal background (Chen, Chang, & Lee, 2015). Given *Yongo* to be ascribed (through *hyulyon*, *jiyon* and *hakyon*), these networks are exclusive and tend to be more homogenous. This means, for

instance, there cannot be a *hakyon*-based relationship between someone from University A and someone from University B. Thus, *hakyon*, *hyulyon*, and *jiyon* do not overlap (bridge) within the respective camps. As a consequence, in terms of members' background these are quite homogenous groups. Group outsiders, that is, people who belong to other groups, are treated as outsiders in an egalitarian way. Within segregated *Yongo* networks there is "flexibility, tolerance, mutual understanding as well as trust. Outside the boundary, on the contrary, people are treated as 'non-persons' and there can be discrimination and even hostility" (Kim, 2000: 179).

Relationships to outsiders of *Guanxi* networks are often described to be insignificant or egalitarian, but structural holes can be bridged in principle (Gao, Knight, Yang, & Ballantyne, 2014; Luo & Cheng, 2015). Further, competition, discrimination, or hostility does not characterize outside relationships as it is the case with *Yongo*. We summarize the foregoing in Table 1.

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INSERT TABLE 1 ABOUT HERE  
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The above described informal social ties can be regarded integral mechanisms of corporate governance in Korea (Horak & Klein, 2015; Horak, 2014, 2015; Yang, 2006, 2014a, 2014b). Compared to Western countries where arguably informal processes are less strongly pronounced and decision making is more transparent, Korean organizations rely on overly secretiveness in management. Nevertheless, scholars regard the dependence on *Yongo* a major obstacle to the establishment of transparency (Yee, 2015; You, 2012). In terms of societal inclusiveness and fairness, today, transparency in economic transactions "has a paramount importance in Korean

society” (Yee, 2015: 44). Whereas some scholars believe the lack of trust in public institutions is the reason for pronounced secret transactions and clientelism in Korea, others point out its cultural heritage, as fragmentation of the *Yangban* class (the *Yangban* were the ruling class comprised of Confucian aristocrats) into respective *Yongjo* camps, dates back to the *Cheoson* dynasty (ca. 1392–1910) (Sik, 2005).

From an anthropological point of view, an interesting theory that may explain the co-existence of modern management systems and persistent and shared cultural legacies with its East Asian neighbors is proposed by Comaroff and Comaroff (2000). Whereas management systems (e.g. in the field of human resources management) are often seen in the literature to either globally converge or diverge as a whole, globalism maybe rather be seen as “a vast ensemble of dialectical processes” (Comaroff & Comaroff, 2000: 305). As a result, depending on time and circumstance, some facets of industrial societies (or management systems) may converge, whereas others diverge. They do not inevitably lead to homogenization. They are rather reshaped, resisted and redeployed by local cultural forces (Brewster, Wood, & Brookes, 2014; Brewster, 2006; Brookes, Brewster, & Wood, 2005).

Literature on expatriate effectiveness often tends to indirectly assume that all sorts of informal social ties important for business can be established and developed between the expatriate and HCNs. Further, filling a structural hole within a (business) community is in principle assumed to be possible. Several studies start from the assumption that certain personal traits of expatriates and their “fit” to the foreign cultural environment positively contribute to expatriate effectiveness either in terms of adjustment and/or performance. The present study attempts to challenge these fundamental underlying assumptions by examining in what way affective networks may interfere with expatriate effectiveness. By exploring the nature and

antecedents of informal networks deeper we build upon and follow the call raised by several scholars in prior studies (e.g., Liu & Shaffer, 2005; Osman-Gani & Rockstuhl, 2008). Hence, we depart from the first, rather generally formulated, research question:

**Research question 1:** *Do informal social networks support or hinder expatriate effectiveness?*

Given the numerous studies reporting on the positive effects of membership in informal social networks on expatriate effectiveness, we are particularly interested in the circumstances that potentially hinder expatriate effectiveness. Hence we explore the following questions:

**Research question 2:** *What are the critical themes hindering expatriate adjustment?*

**Research question 3:** *What are the critical themes hindering expatriate performance?*

As we aim to progress theory development and inform practice alike, we are interested in solutions to potential barriers to expatriate effectiveness. Hence our final research question is:

**Research question 4:** *What approaches can be taken to solve the critical themes?*

The research questions are illustrated in Figure 1. The methodological approach and evaluation technique is outlined in the following section.

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INSERT FIGURE 1 ABOUT HERE  
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### **3. Method and data collection**

In-depth expert interviews were conducted in Korea's capital city, Seoul, in three waves, in 2009, 2012, and 2014. Overall, 32 expatriates were interviewed, who occupied positions ranging from general manager to CEO. The interview partners' nationalities were German, Swiss, Dutch, and British, with the vast majority being Germans. The industry affiliation and size of the firms the expatriates represented was heterogeneous. The sample included mostly private firms from the manufacturing sector (e.g., automotive, chemicals, imaging) as well as the service sector (e.g., insurance, tourism, logistics). In terms of size, small firms, medium-sized firms, large firms, and multi-industry firms were considered in the sample (see Table 2).

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INSERT TABLE 2 ABOUT HERE  
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In gathering the data, the key informant technique (Marshall, 1996b; Tremblay, 1989) for selection was applied in the framework of a judgment sampling strategy (Marshall, 1996a; Miles & Huberman, 1994). Following the key informant technique, respondents were carefully selected based on (a) the role they occupy in the community; they had to be (b) knowledgeable about the

subject, and (c) ready and able to (d) communicate their experiences openly and be (e) objective and without bias in relation to the subject under investigation (Tremblay, 1989).

Approaching the respondents was eased by the fact that several of them had a preexisting relationship with the researcher through prior working and living experiences in Korea or through second-order relationships through mutual acquaintances. These facts supported an open and trustful interview atmosphere, which is considered helpful in interviews on critical topics (Ryen, 2001). However, interview partner to whom no prior relationship existed (ca. 30%) were approached with the support of the local German chamber of commerce.

The questioning approach was inspired by the critical incident technique proposed by Flanagan (1954; for an application compare Druskat & Wheeler, 2003). Applying this technique requires the respondents to recall specific situations they perceived as most problematic. Once identified, further questions were asked, such as “How did you feel in this situation?,” “How did you perceive the situation?,” or “What actions did you take?” in order to gain an in-depth understanding of the problem. Further, for each critical incident identified, questions were asked on how the interview partner evaluated the situation and how a problem was solved or what recommendations could be given on how to solve the critical incident in the future.

The interviews were taped with the agreement of the interview partner or, if this was not agreed to, notes were taken and further processed directly after the interview. All interview partners agreed to participate in the interviews on the condition that their name and company affiliation remains anonym, i.e. will not be made public. After transcribing the interview data, content analysis (Miles & Huberman 1994) was applied for evaluation. The codes used were rather descriptive than abstract. During the process they were either added, refined, or, if proven redundant or unsuitable to the nature of the data, deleted. Further, where suitable, second-order

themes were derived from the data upon which generalizations in relation to the critical theme were finally generated (Saldana, 2013).

## **4. Results**

### *4.1 Factors impacting expatriate effectiveness*

As a result of the analysis we were able to identify seven dimensions that represent barriers to expatriate effectiveness. These are: Information transfer, network access, task fulfillment, diversity, communication with headquarters, behavioral ethics, and relationship building (Figure 2). Several subcategories (second-order themes) could be allocated to each dimension, respectively, which we will report in the following section.

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INSERT FIGURE 2 ABOUT HERE  
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*Information transfer:* Almost all respondents regard keeping confidential information actually confidential in Korea difficult. One respondent asserts that “one can be quite sure that if you, as a foreign firm, forward confidential information to your customer, it is going to your competitors via informal channels” (I31-09). Subcategories to the critical theme of information transfer that provide a deeper insight into the problem were “loyalty,” “social-,” and “ethical norms.” Within these subcategories, expatriates point to the importance *Yongo* plays in business activities in Korea as well as to their inability to establish *Yongo*. Loyalty to *Yongo* ties is perceived as being of higher priority than toward one’s employer. That is, it is an ethical norm to provide certain

information to one's *Yongo* network and it is also common to ask proactively for information within a *Yongo* network. The dilemma is that from the respondent's point of view expatriates and HCNs act based on different norms that are reversely prioritized. In reference to their customer base (automobile maker) a vice president of a European automotive supplier remarks: "European firms usually compete based on certain dimensions of confidentiality and the protection of interests" (I31-09). Usually, interests are formally protected by a firms' code of conduct. Whereas the HCNs are perceived to show more loyalty toward their *Yongo* networks than toward their firm in terms of the confidential transfer of information, the expatriates are more loyal toward the latter than the former, which is perceived "as jeopardizing the relationship" (I30-09). As a consequence, this is regarded as preventing the development of deeper interpersonal relationships. However, as showing a high degree of loyalty to one's *Yongo* network is the social norm in Korea, HCNs likely do not perceive it as "jeopardizing the relationship" and that leads to a dilemma that is regarded as difficult to solve. As one interview partner tries to explain: "If someone you think you can trust passes internal firm information forward, he doesn't necessarily perceive it as jeopardizing the relationship. It is somehow the social norm to be more loyal to your informal social networks than to your firm. It is difficult to explain because we do not have something similar in Germany. It is even more difficult to cope with as a manager because it is uncontrollable" (I30-09). As expatriates do not possess *Yongo* networks in Korea and prefer to show loyalty to their firm over personal relationships, to some extent they have an informational disadvantage.

*Network access:* If *Yongo* networks are so important in business in Korea, it is obvious that expatriates need to become a part of them. Whereas some of the respondents, especially the ones with ca. 10–20 years of experience in Korea, mention having good or close relationships

with HCNs, none of them regard themselves as fully accepted and integrated members of a *Yongo* network. This has several reasons: First, *Yongo* is to a great extent preset (as described above); without being born in Korea it is hard to have *Yongo*, as testified by one respondent: “If you are not born and socialized in Korea, you will have difficulties establishing *Yongo*” (I18-12). Second, it is simply very difficult to at least establish deep and high-trust relationships with an expatriate contract within a limited duration (ca. 3–5 years). Being aware of this, HCNs understandably often do not see the necessity in investing in relationships with someone who will leave the country in the short-term. As a CEO of a consulting firm explains: “For managing customer relations, for example, in sales management, foreign expats are absolutely unsuitable. Customers usually don’t invest in that relationship because expats leave after a couple of years anyway. Further, foreigners often have a different understanding of what relationship management means and many don’t want to spend their evenings on dinners and drinks with customers and their weekends on the golf course” (I10-14). Third, once expatriates are aware what having and maintaining *Yongo* means, they are likely unable to act according to the behavioral norms *Yongo* relationships bring, as those are deeply engrained into the Korean cultural context so that cultural outsiders would arguably not be able to learn and understand them fully on a time-constrained expatriate contract. A managing director of a logistics firm remarks: “Personally speaking, I can confess that I am unable to establish with company x\* and company y<sup>\*1</sup> these informal relationships. I always have to have a Korean partner who has these relationships or who at least knows how to establish these informal ties. That makes me dependent, but that’s the only way to go” (I27-09). Fourth, many expatriates do not speak fluent Korean, which makes it more difficult to establish deep relationships. This point, however, is

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<sup>1</sup> \*: anonymized

perceived by most expatriates as not being a severe problem, as English is widely spoken in the Korean business world. In sum, in order to bridge the gap between being unable to establish deep local ties, expatriates see themselves as highly dependent on HCNs who possess *Yongo*, which requires profound interpersonal skills in order to cooperate effectively.

*Task fulfillment:* Before being expatriated, most respondents thought their managerial influence and scope of actions would have had a higher impact on the local organization. After one or two years in Korea, they realized that what they can achieve compared to what the position actually requires is very limited. Some expatriates appeared to be frustrated that their job role overly developed towards firm inward-oriented tasks such as trying to make their headquarters' policies and guidelines work locally, for example, by lobby locally for new management approaches such as diversity management including developing more female managers in the future. A director of an engineering firm state: "It is difficult to implement policies in an environment with different traditions. My influence is very limited. If I can point out that things can be done in a different way it is a success, but whether it is going to be implemented finally is a different story" (I2-14). Furthermore, firm-external tasks such as conducting contract negotiations are difficult to perform for most expatriates, as they require informal preparation before and after the actual negotiation date so that on that date no "surprises" appear. As informal preparation is done via informal networks that the expatriate hardly possesses, their influence is extremely limited.

*Diversity:* Whereas in the West promotion depends to a great extent on skill, merit, and achievement, Korea is largely driven by seniority-based promotion (with some exceptions) according to almost all respondents. A younger expatriate (e.g., aged 45 years) in a high position, for example, a managing director or CEO, has problems gaining acceptance as his counterparts

are usually much older. Moreover, it is the experience of the respondents that not having the typical (and expected) private background (e.g., being married with kids) is a disadvantage. The typical profile of a Korean manager is rather homogenous and they are seen to prefer to talk and discuss matters in business settings with managers at the same level as themselves. If an expatriate doesn't match his counterpart in terms of position, age, gender, and marital status, it is regarded as disadvantageous to establishing a deep relationship. The consequences are explained by a managing director of an automotive firm: "That puts you in a special position and people find it difficult to work with you because you are hardly able to integrate into the normal social hierarchy" (I28-09). Homogeneity is important to establishing social ties. Several expatriates with age differentials to their counterparts reported delays in decision-making and added complexity in communication processes in this respect.

*Communication with HQ:* While expatriates often face having a limited influence on the local organization coupled with decision-making in Korea tending to be personal rather than task-based, expatriates reported being confronted with headquarters managers abroad who have little understanding or tolerance for the local management culture. That is, they have difficulties accepting that personal relationships are key and that, for example, selling a product is difficult without having *Yongo* with a certain customer even if product features are superior or prices are more competitive compared to an incumbent competitor. Even when problems appear to be solved unexpectedly fast, the typical Western "lessons learned" debate usually demanded by headquarters managers again becomes difficult to conduct when local management processes are treated as personal rather than process-centered. Respondents often felt sandwiched between the local organization and the headquarters, and perceived the reporting procedures demanded by the

headquarters as inefficient, time-consuming, and not optimally suitable for succeeding in business in Korea.

*Behavioral ethics:* As the expatriates questioned in this study were socialized in Western countries, many perceived behavioral ethics of HCNs differ fundamentally to their value system. One example that was frequently mentioned was, again, what the Western respondents termed “honesty” toward the firm and loyalty toward a person. It is perceived that loyalty toward a certain person, that is, a person to whom an affective tie already exists, is regarded as more important than honesty toward a firm. Several respondents see herein a fundamental difference that leads to permanent suspicion between the expatriate and the HCNs (and vice versa), triggered by reversed priorities. Moreover, it was difficult for many expatriates to adjust and to first take a person into account rather than relying solely on hard facts in decision making. These are the two examples mentioned most frequently that lead to conflicts and disappointments on both sides in terms of behavioral expectations.

*Relationship building:* Finally, and also in connection to the above, relationship building is key for doing business in Korea, although expatriates report on limitations in this respect due to different priorities. Many respondents confess that they actually feel uncomfortable extensively talking about private matters (such as marital status, kids, property, hobbies, etc.) in a business setting. This is, however, important in Korea as it serves to identify personal similarities between business counterparts upon which a trustful business relationship can be established. A CEO of an automotive firm remark: “Relationship building is the basis for a business relationship in Korea. That is a quite personalized process and starts with the exchange of private information. Problems emerge when one side considers this process important and the other side does not” (I30-09). Again, we find a reversed setting of priorities, in which one side

regards personal characteristics important for the development of a business relationship and the other not to that extent.

Representative quotations for the influence of informal ties and networks within each of the seven dimensions that affect expatriate effectiveness are shown in Table 3.

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INSERT TABLE 3 ABOUT HERE  
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By linking the results to the research questions we formulated in the beginning, we clearly see the influence of *Yongo* on expatriate effectiveness. In the case of Korea, informal social networks appear to set back expatriate effectiveness in general (Research question 1). Specifically, based on the definition of expatriate effectiveness provided at the outset, *Yongo* in particular dampens an expatriate's interaction adjustment (Research question 2) as well as their relational performance (Research question 3). The latter indirectly affects job performance in a negative way. Both can be explained in the first place by a low *environmental receptiveness* in terms of an expatriates' integration into *Yongo* networks. Figure 3 illustrates the obstacles to expatriate effectiveness.

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INSERT FIGURE 3 ABOUT HERE  
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#### *4.2 Solutions to increase expatriate effectiveness*

After describing critical incidents and situations the respondents regarded problematic, they were asked how they would solve critical situations. Following up on Research question 4, possible solutions for the identified dimensions above are discussed in the following.

*Information transfer:* Coping with the free flow of confidential information in Korea through informal channels, as perceived by the expatriates, is a delicate undertaking. Ignoring it would lead to a competitive disadvantage, while actively engaging in it may jeopardize the firm's code of conduct and competitive position as well as one's personal ethics. The respondents recommend first thinking about whether firm-internal information is critical to competition or not, that is, whether that information being in the hands of a competitor (worst case scenario) would hurt one's own firm or not. Further, if information is released it should be regarded as a tradable good for which information in return is an appropriate trade. A vice president of an automotive supplier attests: "It would be naïve to think you can establish a trustful and close business relationship based on confidentiality between two parties. If you have no personal ties or a friendship with your business partners this will definitely not be the case. Personal relationships are usually developed between people from the same region or high school. These days it's also at university or during military service. Obviously as a foreigner one does not possess these ties. This is the dilemma" (I31-09). However, actors need to decide on a case-by-case basis how to react to this risky situation and are advised to pay attention to keeping know-how that constitutes the core of the firm's competitive advantage more confidential.

*Network access:* Becoming an integral part of an informal social network (i.e., *Yongo*) is difficult or almost impossible according to the respondents. However, less influential but still trustful relationships that may be beneficial to navigating business can be established. In order to

develop these, expatriates recommend engaging frequently in private events (e.g., dinners, drinks, golfing, etc.). Seniority is considered influential in interpersonal relationships. Moreover, close cooperation with HCNs that possess close ties, in the best case *Yongo*-based ties, are recommended to decision makers within a firm's network of stakeholders. A project manager (construction industry) exemplifies: "We make use of these informal networks when we, for instance, recruit new staff and managers. Having informal ties is an asset for each firm, so when we know that a potential candidate has existing relationships to our customers already it is an advantage" (I5-14).

*Task fulfillment:* Extending the above, expatriates can increase their effectiveness in reference to their performance if they closely cooperate with an HCN manager, for example, in the framework of a management tandem in which two share one position. "Having an equally powerful local partner in, for example, a vice-position who handles local affairs is a must" (I10-14, CEO, consulting industry). This was mentioned frequently by several other respondents. The challenge here is creating a management tandem with actors of complementary skills as well as with strong interpersonal and communication skills.

*Diversity:* As Korea is a rather homogenous country with rather tight social norms, uniformity largely prevails. However, expatriates regard promoting diversity initiatives as valuable and advantageous for a foreign subsidiary. Some respondents had already implemented diversity management formally, but its effectiveness was perceived to be lagging behind. Regardless, foreign firms especially benefit from taking advantage of, for example, hiring and promoting female managers, who face difficulties making a career in traditional Korean firms due to the continuous strong glass ceiling. Others report having promoted younger employees over more elderly employees for a management position, although as this goes against the ethics

of seniority success has so far been limited. In sum, the respondents believe that these early developments should be further promoted and that foreign firms, as cultural outsiders, are in the best position to drive these changes further.

*Communication with HQ:* Almost all respondents report the excessive number of tasks, processes, and status report requests they are expected to deliver to headquarters. This is perceived as a burden due to their scope, but also due to the nature of the demands, which are difficult to implement in Korea. Additionally, unsuitable organization structures are reported being problematic. “Take for example a matrix structure, which is very common in our headquarters, but very difficult to implement in Korea due to cultural reasons” (I29-09, president and CEO, chemical industry). HCNs are said to appreciate if communications with the headquarters is handled by the expatriate. If an expatriate doesn’t simply pass the tasks through but also finds ways to minimize, correct and translate them in a way they are manageable in the local cultural context, the acceptance of the expatriate by HCNs increases. Several expatriates recommend concentrating on this task. However, this is rather surprising as it puts the expatriate in the position of an agent who streamlines arguably incompatible formal and informal procedures between the headquarters and the subsidiary, although the originally intended mission for the expatriate was often a different one, as the interview partner report.

*Behavioral ethics:* Surprisingly, most expatriates do not recommend adjusting as much as possible to the Korean management culture, as it is perceived as being too different to their own, too time consuming and the chances of success are limited, as a managing director of an automobile maker states: “That takes a lifetime and there are so many things to consider that build on such a different ethical base that when you grew up in the West you just cannot do that. You don’t understand each behavioral norm that is expected, you cannot estimate the

consequences of your behavior, and so on. I believe it is nearly impossible” (I28-09). Again surprisingly, most expatriates learned over the years that this is not even expected by the HCNs anyway. This finding is interesting in the background of the cross-cultural management related literature, which, by trend, tends to assume a higher level of adjustment to other cultures would result in higher levels of job-related performance and satisfaction. The respondents recommend being authentic, tolerant of Korean management styles, and honest. Moreover, they regarded it as beneficial for both sides to learn more about the other’s culture, to reflect on behavior, and to talk openly.

*Relationship building:* Establishing trustful relationships between HCNs and expatriates is in Korea first of all an activity that is done out of office hours, a time that is considered by expatriates as the private sphere. The determination between business and private sphere is rather permeable in Korea. The respondents strongly recommended engaging in after-office-hour activities as often as possible, although this means sacrificing private time. Without doing so, it is perceived as being nearly impossible to establish trustful relationships.

Representative quotations for each of the possible solutions to increase expatriate effectiveness that were discussed are shown in Table 4.

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INSERT TABLE 4 ABOUT HERE  
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## 5. Discussion

By drawing predominantly on the work of North (1990), international business and management science has recently underlined the importance informal institutions play in driving firm strategies and performance (Peng, 2010; Peng, Wang, & Jiang, 2008). Informal social networks or affective ties can be regarded an informal institution. While in the field of human resource management (HRM) the theme of *Guanxi* has gained prominence (Buckley, Clegg, & Tan, 2006; Cooke, 2009), clanism in general has so far not become an integral management concept (Minbaeva & Muratbekova-Touron, 2013). Why is this the case despite its obvious importance? Though not easy to answer, we assume that the dominance of Western countries (featuring stable and effective formal institutions) in the development of business and management theories (Brewster, 2007) might be an answer as to why we do not know much about the nature and antecedents of informal institutions elsewhere. Given the scarcity of HRM research in the regional context (Benson & Rowley, 2003; Budhwar & Debrah, 2008; Dowling & Donnelly, 2013; Warner, 2000), scholars have therefore called for more research on their foundations at a micro level in order to advance institutional theory (Minbaeva & Muratbekova-Touron, 2013). We have tried to respond to this call with the present study, by showing that informal ties and networks can limit the effectiveness of expatriates. In the case of Korea, *Yongo* networks are characterized as exclusive and closed to outsiders. More importantly, they are cause-based, i.e. they are to a great extent ascribed. Hence, as these ties are important in business, expatriates are limited to use resources other than *Yongo*, which can be hardly established. However, we believe that there is a long road to making the influence of clanism or social norms on managerial behavior at the micro-level an established concept. In order to drive this development further, we

recommend that future research take a comparative view on clanism to understand its differences and similarities better in order to work toward a general theory.

In addition to the number of obstacles this research reveals, we regard the theme of *environmental receptiveness* as an important context factor that should be considered in future research. Social environments may be distinguished by their degree of receptiveness. For instance, due to its history as the typical country which people emigrated to, it can be hypothesized that the United States may be an unusually strongly receptive country in which expatriates, independent of their background, are per se able to establish social ties of any intensity and form social networks with HCNs. Korea, on the contrary, as this research implies, is rather a weakly receptive country to expatriates, as certain forms of crucial social networks (i.e. *Yonggo*) are partly predefined by birth and thus can hardly be established by outsiders. Given the important role of social network integration on expatriate effectiveness, further research is needed in order to understand the antecedents and nature of informal social networks better.

## **6. Implications for practice**

Elaborating further on the recommendations provided in the section “Solutions to increase expatriate effectiveness,” we would like to point out that an expatriate’s attempt to establish *Yonggo* is an endeavor that will very likely fail, as expatriates usually do not possess the contingent requirements. Expatriates should alternatively focus on establishing deep and trustful relationships (i.e., less exclusive ties or *Inmaek*; see Horak, 2014) with HCNs and reach out to individuals who possess *Yonggo* who will be useful for their mission abroad, for example, in the form of deputies, co-workers, advisors, or mentors. As Korea is a network society (Kim, 2000), decision-making should focus on people rather than exclusively on processes and hard facts. It is

advised that pre-departure cross-cultural training feature a relationship management section, concentrating on informal social networks in Korea. Moreover, a liaison manager placed in headquarters abroad should receive training on Korean management ideals in order to formulate headquarters demands that are implementable in the region.

## **7. Limitations and future research**

The results of this study have to be seen in the light of their limitations. First and foremost the sample size in this study is limited and should be regarded rather as a convenience sample. Further, though expatriates from several European countries were questioned, the vast majority of respondents were from Germany. Though we treated their responses as representing a Western view, further respondents from other Western countries (e.g., the US, France, etc.) would have contributed to increased validity.

Though this research discovered seven dimensions that exert influence on the respective determinants of expatriate effectiveness, due to methodological restrictions, we are unable to report on differences in intensity by which they may moderate the respective determinants of expatriate effectiveness. By using a mix of qualitative as well as quantitative methods, future research can shed more light into this black box and enrich this research in this direction.

Unfortunately, we had no opportunity to talk to expatriates from other (East) Asian countries, such as China or Japan. While several Asia countries are known to be relational societies, it would have been interesting to compare whether their difficulties were as heavily focused on informal social networks and ethical norms of behavior as the present sample.

The results we derived increase current knowledge and have important implications for practice, as outlined above. However, future studies are recommended to create a larger database

consisting of a more heterogeneous subject pool in terms of the nationality of the respondents, where respondents from other Asian countries in particular should be included.

## **8. Conclusion**

This research contributes to the recent trend in expatriate research on understanding expatriates' integration in HCNs better (Bruning et al., 2012) by analyzing the link between social integration and expatriate effectiveness as suggested by Osman-Gani and Rockstuhl (2008). We discovered that the Korean form of informal social network, *Yongo*, can be considered as having a high degree of importance for expatriate effectiveness across several dimensions. As *Yongo* is important in business but to a large extent predefined by birth, immutably and irreversibly, it represents a limit for expatriates to establish and penetrate these networks. Based on the interview data of expatriates in Korea, seven critical dimensions for expatriate effectiveness were discovered. We find in particular that the determinants of the relational performance and interaction adjustment of the expatriate are negatively influenced by the inability to acquire and use *Yongo*. We recommend that expatriates establish alternative trustful relationships and work closely with decision-makers who possess relevant *Yongo* ties. Due to the importance of establishing informal social network ties with HCNs, we recommend that future research explicitly take the receptiveness of the social environment to expatriates into account.

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## TABLES & FIGURES

Table 1: Distinctive differences between *Yongo* and *Guanxi*

	<i>Yongo</i>	<i>Guanxi</i>
Network principle	<i>cause</i> -based (irreversible)	<i>purpose</i> -based (utilitarian)
Tie-base	ascribed*	diverse
Network diversity	homogeneous	heterogeneous
Openness	exclusive	accessible
Relationship to out-groups	insignificant to competitive, partly hostile	insignificant

*Note:*

\* Based on: (1) *hakyon* (education-based ties, e.g. former high-school or university attendance), (2) *hyulyon* (family or blood ties), and (3) *jiyon* (regional origin-based ties).

Figure 1: Research questions – Expatriate effectiveness and social networks

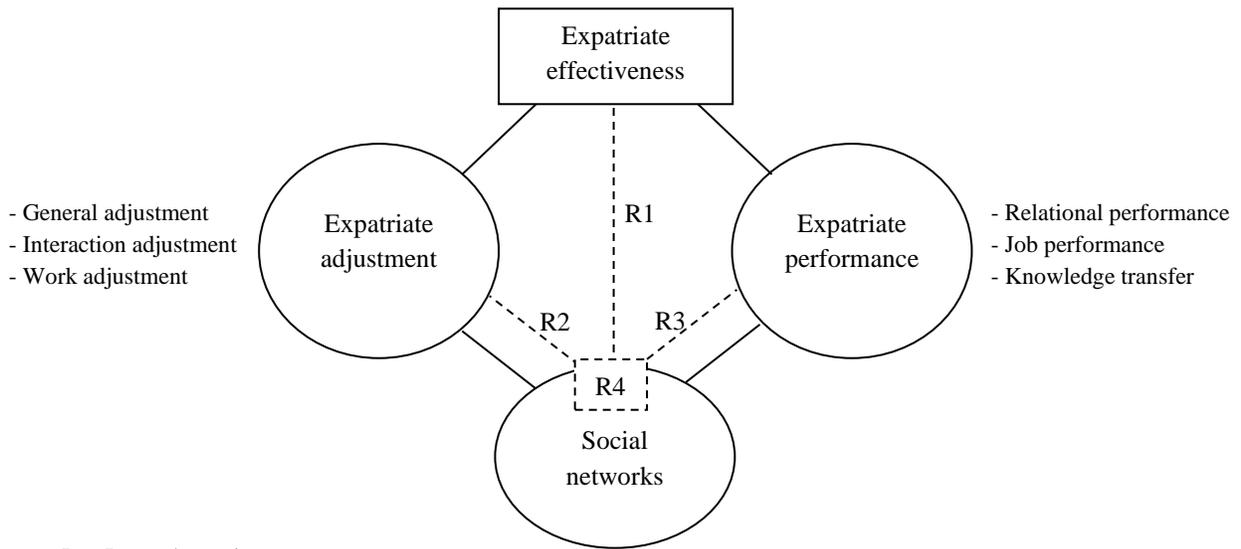


Table 2: List of expert interviews

<i>No.</i>	<i>Position</i>	<i>Industry</i>	<i>Enterprise category*</i>	<i>Interview date</i>
I1-14	President & CEO	Imaging	LF	2014
I2-14	COO	Insurance (major)	MIC	2014
I3-14	CEO	Service	SF	2014
I4-14	Director	Tourism (major)	MIC	2014
I5-14	Managing Director	Logistics	LF	2014
I6-14	Managing Director	Service	SME	2014
I7-14	Manager	Steel (major)	MIC	2014
I8-14	President	Automotive	LF	2014
I9-14	General Manager	Tourism (major)	MIC	2014
I10-14	CEO	Consulting	LF	2014
I11-14	President	Chemicals (major)	MIC	2014
I12-14	Director	Engineering (major)	MIC	2014
I13-14	President & CEO	Trading	LF	2014
I14-14	Product Manager	Automotive (major)	MIC	2014
I15-14	Project Manager	Construction	LF	2014
I16-14	President	Mechanical Engineering (major)	MIC	2014
I17-14	President	Consulting	SF	2014
I18-12	Managing Director	Automotive (major)	MIC	2012
I19-12	Director	Mechanical Engineering	LF	2012
I20-12	President	Mechanical Engineering	LF	2012
I21-12	President	Automotive (major)	MIC	2012
I22-12	President & CEO	Chemicals (major)	MIC	2012
I23-12	COO	Automotive	LF	2012
I24-09	President & CEO	Imaging	LF	2009
I25-09	Director	Foundation	SME	2009
I26-09	Director	Automotive	LF	2009
I27-09	Managing Director	Logistics	LF	2009
I28-09	Managing Director	Automotive	LF	2009
I29-09	President & CEO	Chemicals (major)	MIC	2009
I30-09	President & CEO	Automotive (major)	MIC	2009
I31-09	Vice President	Automotive	LF	2009
I32-09	President	Automotive	LF	2009

*Note:*

\* By employee number worldwide. Classification according to OECD (2005): Small and Medium Enterprise (SME):  $\leq 250$  employees; Small Firm (SF):  $\leq 50$  employees. In addition to the OECD classification, firms with up to 30,000 employees are denominated as Large Firms (LF) and firms with more than 30,000 employees as Multi-industry Companies (MIC), i.e., firms that are active in several (more than two) industries and combine two or more corporations.

Figure 2: Critical dimensions impacting expatriate effectiveness

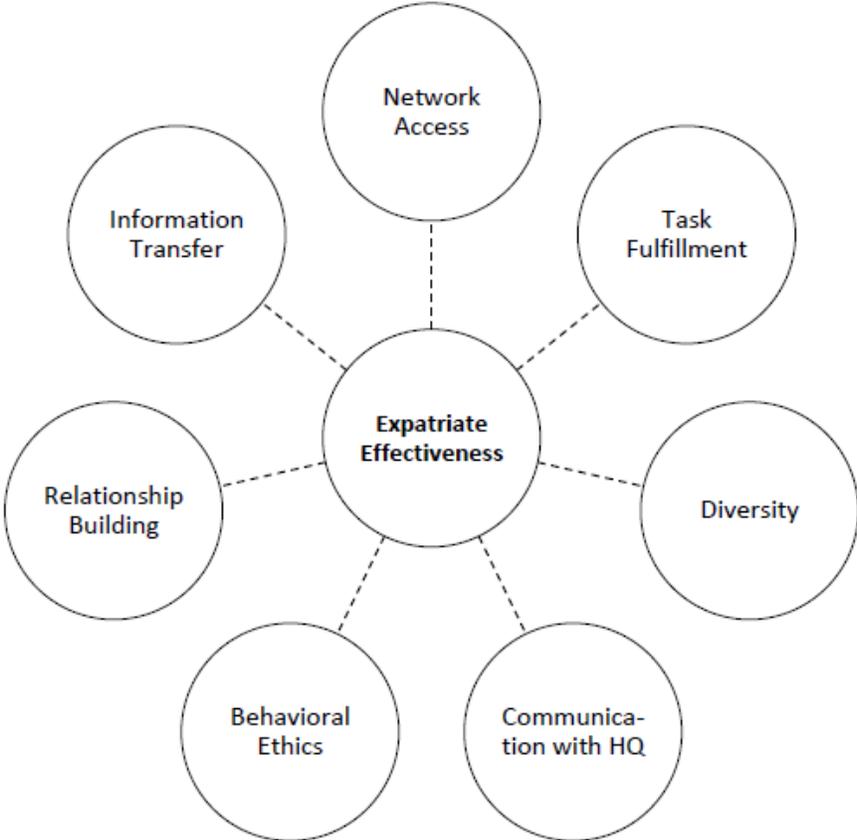


Table 3: Dimensions of expatriate effectiveness

<i>No.</i>	<i>Critical theme</i>	<i>Second order theme</i>	<i>Representative quotation</i>
I21-12	Information transfer	Social norms	In Western countries you usually don't ask your friends for internal company secrets and you also don't talk about it. That is something like a gentleman's agreement.
I30-09		Loyalty	Informal ties are based on university or school affiliation, one's home town, or those concluded during military times are extremely pronounced, much more than I experienced in Japan or even China. Loyalty and commitment to those ties is much higher than ties to colleagues in one's company. Because of those ties you can hardly keep information confidential. I was quite shocked in the beginning. You cannot keep anything confidential and that's what makes it difficult to establish a relationship with your colleagues.
I31-09		Ethical norms	Ethical differences on how to compete can be problematic. That includes the protection of specific information of the competitor. If Western managers are urged to apply Korean ethics to Western customers it creates problems.
I29-09	Network access	Integration	The best thing one should expect as a foreigner is probably a maximum of acceptance in one's own firm. More is hardly possible I believe. Our value systems are just too different and foreigners just don't have these networks in Korea and, more importantly, cannot establish them.
I19-12			As a foreigner you cannot establish <i>Yongo</i> relationships. Sure, you can establish good relationships, but not the ones that really count.
I20-12		Loyalty	I truly believe that when it comes to supporting me in critical situations, I think everyone would be more loyal to their <i>Yongo</i> ties than toward me and my firm. Even after so many years, I believe it is just very difficult for a foreigner to establish <i>Yongo</i> relations in business, if not impossible.
I29-09	Task fulfillment	Social ties	Informal relationships are used before and after negotiations, the sentiments of people are taken into account, and surprises on the negotiation days are to be avoided. Problems are not directly addressed and even finding people in charge of making decisions is somewhat difficult. That is all done through informal and indirect channels. I don't have them so I cannot really contribute.
I28-09	Diversity	Seniority	In Korea people usually talk with others of the same job level only and they need to be the same in terms of age as well. I have seen other firms promoting staff to director level who were certainly competent but actually too young. Their demands were constantly ignored and issues were escalated to the next senior position. Seniority and job level must fit.
I28-09		Social norms	Koreans tend to define social ties based on age differentials. Usually older employees call younger ones "younger brother" and the younger employee calls the older one "elder brother." Yes, this represents a hierarchy, but that is simply the Korean idea of a natural order. This distinction comes with certain behavioral norms and responsibilities and also obligations for both, like in a family. These family ideas, roles, hierarchies, and behavioral expectations you find very pronounced in the business world. As a foreigner, it is quite difficult to play this game, but you are also not really expected to do so.
I29-09	Communication with	Conflicting priorities	The dilemma of an expatriate is that in addition to the isolation from informal networks in Korea, even the headquarters has less understanding of why informal relationships have to be considered and why key performance

	HQ		indicators are not met.
I8-14		Ignorance	A huge challenge for expats in Korea is to bridge the gap between the local management culture and the prevailing culture of headquarters in the West. Expats often need to report to the headquarters and they usually do not understand the local problems. An expat is quasi-sandwiched.
I15-14	Behavioral ethics	Conflicting priorities	In Korea loyalty toward persons is higher than toward the firm they work for. I do not at all mean that it is bad or good, it is just different, very different from the European way of thinking and that creates problems and disappointment while working if two parties do not talk openly about it, but rather act on expectations that are not shared by the other party.
I20-12		Different priorities	Problems that one faces in business are often analyzed based on the people and relational networks involved. Western firms usually to a very large extent detach the personal from business, as it is considered not to contribute to solving a business case. So we often come to different conclusions based on a very different ethical way of thinking.
I30-09	Relationship building	Private-business sphere	To be honest, in a business relationship I don't care at all how many children my business partner has, whether he or she is married, or not or even if and what partner he or she has. I think that's everyone's private affair.
I19-12		Cultural barriers	Of course, relationships play a role and influence decisions everywhere. But you cannot compare the way it is done in Western countries and in Korea. It is just totally different.

Figure 3: Obstacles to expatriate effectiveness

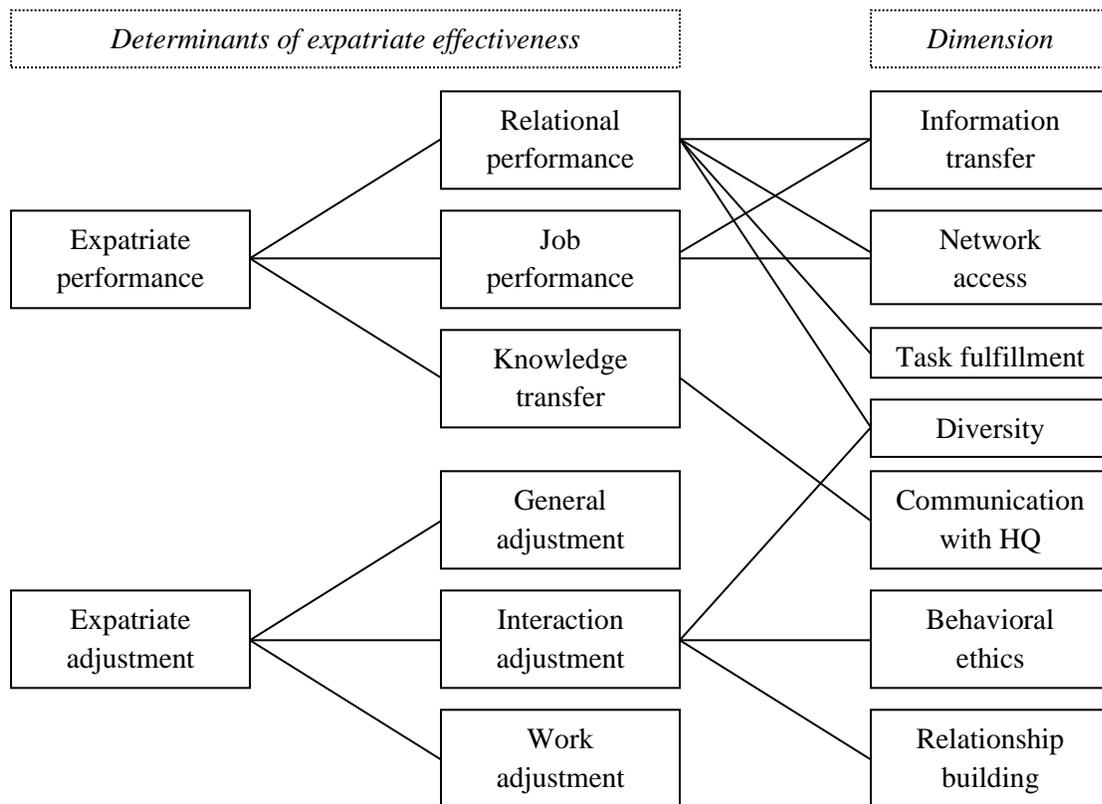


Table 4: Solutions – How does one increase expatriate effectiveness?

<i>No.</i>	<i>Critical theme</i>	<i>Solution – Representative quotation</i>
I31-09	Information transfer	“There are no secrets in Korea,” this is what they say. So you need to understand how firms compete here and find ways to make your business successful. Sure, from time to time that creates an ethical conflict. One needs to think twice about what information should be given to your firms’ stakeholders. Because one should always assume that this information will potentially be made available to your competitors. If you decide to transfer certain information, always ask for information in return.
I29-09	Network access	As a foreigner what helps best in order to increase the level of acceptance is seniority and going out for dinners and drinks with colleagues frequently.
I10-14	Task fulfillment	Due to the difficulty of relationship management for foreigners in Korea, it is important to partner with locals. I have seen a foreign CEO who immediately hired an assistant when he arrived here to take care of managing customers. He was hired even before the CEO’s secretary. I think this is the best solution.
I29-09	Diversity	What foreign managers can do in a firm in Korea is try to create awareness of other ways of thinking. For example, why not think about hiring more women as managers? That is, for example, very underdeveloped in Korean firms, almost something like a taboo. But since Korea has recently had a female President this point is not too exotic.
I29-09	Communication with HQ	Another important task for foreign managers is to report to the headquarters in Germany or the US or wherever it is. Trying to make global corporate policies or organizational structures work in Korea is a task a foreign manager often regards as more important compared to local managers.
I29-09		It is expected of a foreign CEO that you block all these strange requests from the headquarters. If you do this and do not pass them through because they seldom work anyway, you will gain much more acceptance from the local management.
I28-09	Behavioral ethics	I think the only way to be successful is to be authentic. Further, I believe it is just not possible to aim to become a member of informal networks. Be authentic, be honest, make clear you want the best for your customer and you act on behalf of your business. That’s the only way to go I think.
I15-14		I think many misunderstandings can be avoided if people from two different business cultures knew more about the other’s cultural mindset.
I29-09	Relationship building	You need to give up your private life if you want to establish at least some loose relationships. That means you have to meet people for dinner. Drinking together still works very well as a way to make friends in business, but playing golf together is also becoming more popular.