

From Employee-experienced Multiculturalism-enhancing HR Practices to MNEs' Competitive Advantage: A Strategic Human Capital Resource Emergence Framework

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ABSTRACT

The performance effect of multiculturalism has attracted considerable research attention; however, the literature on multiculturalism has focused on micro-level outcomes, limiting our understanding of the meso-level source of competitive advantage. Building upon a strategic human capital resources emergence framework and multilevel approach, we suggest that employees' experience of multiculturalism-enhancing HR practices creates multicultural individuals, leading to MNEs' competitive advantage. Further, we examine the emergence-enabling mechanisms that facilitate multicultural individuals to improve competitive advantage by eliciting collective interactions. Specifically, we underline three distinct emergence enablers that facilitate the positive influences of multicultural-enhancing practices on competitive advantage by shaping the direction, concertedness, and adaptability of collective interactions: (1) the cultural experiences of top management team members (direction); (2) the importance of foreign languages within an organization (concertedness); and (3) the CQ-promoting practice (adaptability). With a sample of 471 MNEs in 24 manufacturing sectors representing 33,741 managers and employees from 2006 to 2015 in South Korea, we find that an employee's experience of multiculturalism-enhancing HR practice positively related to competitive advantage. In addition, all three emergence enablers amplified the positive effects.

Key words: multiculturalism-enhancing HR practice, competitive advantage, strategic human capital resource theory, composition and compilation emergence

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INTRODUCTION

Considering the international business environment, competitive advantage-defined as "*a firm's ability to achieve superior performance relative to its competitors in the same industry or market*" (Barney, 1991)-is crucially important in helping MNEs adapt to international environment and find foreign market opportunities. However, pursuing sustainable competitive advantage is challenging as MNEs face unique challenges (e.g., liability of foreignness) (Zaheer, 1995). In particular, human resource literature has argued that competitive advantage arises from the human capital (Barney & Wright, 1998; Wright, McMahan, & McWilliams, 1994). Human resources have been also regarded as the determinants of global competitive advantage in a strategic manner (McWilliams, Van Fleet, & Wright, 2001). Given the importance of human capital, MNEs should invest in multiculturalism. Vora, Martin, Fitzsimmons, Pekerti, Lakshman, and Raheem (2019) conceptualized multiculturalism as "*the degree to which someone has knowledge of, identification with, and internalization of more than one societal culture (p. 500)*" Hong and Minbaeva (2022) argued that multicultural human capital is a kind of multiculturalism that takes MNEs' strategic role for competitive advantage. Through expatriate adjustment (e.g., Peltokorpi & Froese, 2012), leadership effectiveness (e.g., Lu, Swaab, & Galinsky, 2022), and cross-cultural communication competence (e.g., Matveev & Nelson, 2004), as well as multicultural creativity (e.g., Leung, Maddux, Galinsky, & Chiu, 2008), the literature on multiculturalism find the link between multiculturalism and individual outcomes. However, the substantial research on multiculturalism has ignored its organizational implications for MNEs.

Furthermore, the multiculturalism literature has questioned: "*what makes someone*

multicultural?” Vora et al (2019) delineated that multicultural individuals are determined by multiculturals’ context, acculturation, skills and abilities, cognition, and identification individuals have perceived, felt, and behaved. Our study starts from the assumption that multiculturalism-enhancing HR practices produce multicultural human capital and determine its quality. In line with Hong and Minbaeva’s (2022) systematic review, we define *multicultural human capital* as individuals who have multicultural knowledge, skill, ability, and others (KSAOs), including cultural frame switching, cultural adaptability, culture-based creativity, cross-cultural communication skills, and cross-cultural attributional complexity (see Table 1 of Hong & Minbaeva (2022), p. 98-99). We also define *multiculturalism-enhancing HR practice* as a series of HR practices that enable individuals learn, identify, and internalize multicultural knowledge. We suggest that multiculturalism-enhancing HR practice refers to ability-enhancing practice and includes the support program for foreign educational institutions (graduated program or vocational training) and overseas certifications by MNEs for the current employees. In alignment with Vora et al’s (2019) conceptualization, our study suggests that multiculturalism-enhancing HR practice may improve multicultural individuals’ knowledge, identification, and internalization toward multicultural settings.

We focus on the bottom-up process through which lower-level multicultural human capital affects upper-level outcomes. Strategic HRM literature suggests that the employees’ HRM experience and reaction exist in the underlying mechanism through which actual HR practice affects organizational performance (Wright & Nishii, 2013). Strategic HRM literature assumes the positive implications of actual HRM investment on organizational outcomes; however, this relationship cannot always be explicated because of the variation of employees’ perceptions and reactions to HR practice. Therefore, it is crucial to explain how and when employees perceive the value of HR practice because it may determine the employee’s reaction and collective interaction (Ployhart & Moliterno, 2011). Multiculturalism research has been

criticized for its limited argument, as the literature on multiculturalism has not reconciled its conceptualization and measurement (Vora et al., 2019). Previous research on international business examined the relationship between actual HR investment and organizational performance (e.g., Kim, Pathak, & Werner, 2015); however, they did not unravel the underlying mechanisms where employees interact and give rise to competitive advantage. Drawing on multiculturalism literature and strategic human capital resource framework, we suggest and empirically validate the implication of employee-experienced multiculturalism-enhancing HR practice on MNEs' competitive advantage and its boundary conditions.

Our study contributes several ways to multiculturalism and human capital resource literature. First, we uncovered distinct mechanisms of strategic human capital resource composition and compilation emergence to cultivate MNEs' competitive advantage. We contribute to examining the multilevel process of an employee-experienced multiculturalism-enhancing HR practice on competitive advantage. As Wright and Nishii (2013) suggested, the implications of actual HR practice on organizational outcomes are a multilevel phenomenon. A firm's actual investment in HR practices elicits employee cognitive, behavioral, and affective reactions by influencing their experience and perception of HR practice. Kim et al (2015) examined the organizational phenomenon of *how* and *when* actual HR practice affects organizational performance (workforce productivity); however, they did not identify and describe the multilevel phenomenon and the unique context of MNEs that can affect employee reactions. As the literature on strategic HRM examined the bottom-up effects of employees' perceived value of HR practices on organizational outcomes (e.g., Shipton, Sparrow, Budhwar, & Brown, 2017), we adopted the multilevel perspective. We confirmed the bottom-up effects of HR practice (multiculturalism-enhancing HR practice) by delineating the relationship between employees' experience of HR practice and organizational outcomes. While Vora et al (2019) suggested both conceptualization and measurement of the multicultural individual as

"the degree to which someone has knowledge of, identification with, and internalization of more than one societal culture." Hong and Minbaeva (2022) demonstrated that multicultural human capital could influence MNEs' competitive advantage; however, they needed to empirically validate the bottom-up process of multicultural individuals on organizational outcomes. Drawing upon a multilevel approach, we suggest a strategic human capital resource emergence framework to examine the emergence-enabling process that facilitates employees' multiculturalism-enhancing experiences to give rise to competitive advantage, complementing employees' strengths and weaknesses, thereby creating synergistic effects between multicultural and monocultural human capital by unraveling the bottom-up HR process.

In addition, our research draws on the strategic human capital resource framework to explain the emergence-enabling mechanism linking multicultural human capital to competitive advantage. While the MNEs' context enabling multicultural human capital to be amplified and transformed into organizational outcomes was introduced to the HRM literature (Li, Wang, Van Jaarsveld, Lee, & Ma, 2018) and multiculturalism literature (Hong & Minbaeva, 2022), the features of the emergence process in the MNE context have received little research attention, limiting our understanding about the core premise of the human capital resource theory. By examining the internal, external, and temporal emergence-enabling mechanisms that facilitate employees' positive perception and experiences to give rise to competitive advantage, our study delineates patterns of facilitation and transformation (e.g., the cultural experience of TMT members, the importance of foreign language, and CQ-promoting practice) that explicate the emergence process.

THEORETICAL BACKGROUND

The emergence perspective focuses on the bottom-up process wherein the higher-level phenomena originate in the cognition, affection, and behaviors of lower-level individuals and

is manifested by their collective interactions (Kozlowski & Klein, 2000); by adopting this theoretical foundation, the literature on strategic HRM theorized how and when strategic HR practice affect organizational performance (Jiang, Takeuchi, and Lepak, 2013; Wright & Nishii, 2013). The employees' perceived value of HR experience and their reactions lie in the relationship between the firm's actual investment in HR practice and organizational performance. Actual HR investment and organizational performance are at the organizational level; however, employees' experience and reactions to HR practice are observed at the individual level. In other words, the relationship between actual HR investment and organizational performance should be examined through the lens of a multilevel phenomenon.

To unravel the bottom-up process of multiculturalism in MNEs, we adopted a strategic HRM literature and strategic human capital resource framework. Ployhart and Moliterno (2011) proposed a new theoretical account—the emergence-enabling process—to describe how individual-level multicultural KSAOs are facilitated and transformed into organizational-level strategic human capital resources and competitive advantage. Through MNEs' unique context, emergence-enabling states (e.g., the cultural experience of TMT members, the importance of foreign language, and CQ-promoting practice) arise to give rise to subsequent collective interactions among multicultural individuals (Hong & Minbaeva, 2022). Despite its valuable insight, the literature on human capital resources did not fully suggest guidance about how MNEs can effectively manage the emergence process of human resources. Nyberg et al (2018) and Ployhart et al (2014) suggested the underlying theoretical foundation for the role of HR practice and process in facilitating strategic human capital resource emergence.

However, more need to investigate how MNEs manage their unique contexts that enhance organizational effectiveness. For example, Hong and Minbaeva (2022) underlined that future studies to investigate the role of organizational context in facilitating the emergence of strategic human capital resources. In response to the research call by Hong and Minbaeva

(2022), we adopt and develop composition and compilation emergence Ployhart, Nyberg, Reilly, and Maltarich (2014) suggested studying the relationship between the employee-experienced multiculturalism-enhancing HR practice, MNEs' competitive advantage and the role of unique MNEs' context. In our study, we suggest that multiculturalism-enhancing HR practice includes a set of management practices enabling MNEs to accumulate multicultural human capital for their competitive advantage through increasing a set of individual multicultural identities such as cultural frame switching, cultural adaptability, culture-based creativity, cross-cultural communication skills, and cross-cultural attributional complexity (Fitzsimmons, Liao, & Thomas, 2017). The employees' experiences of multiculturalism-enhancing HR practices significantly affect the stock of multicultural human capital within the MNE mechanism. Further, applying a compilation emergence approach, we also predict our three emergence-enabling mechanisms that may amplify the effect of an employee-experienced multiculturalism-enhancing HR practice on competitive advantage by shaping the features of collective interactions (e.g., direction concertedness, and adaptability) among multicultural human capital because these mechanisms facilitate a synergistic relationship between employees that enhance the positive implications of the multiculturalism-enhancing HR practice. Importantly, through unique MNE contexts among organizational members, compilation emergence arise and enable collective interactions among multicultural human capital (Hong & Minbaeva, 2022; Nyberg et al., 2018; Ployhart & Moliterno, 2011; Ployhart et al., 2014).

Specifically, the cultural experiences of TMT members focus on how TMT members put multicultural human capital on MNEs' cultural and strategic realities and how they recognize the potential costs of utilizing multicultural human capital. The higher recognition of cultural potential may further exploit the benefits of multiculturalism because TMT members are open to multiculturalism (Gupta & Govindarajan, 1984; Johanson & Vahlne, 1977). The

cultural experience of TMT members guides cultural and strategic realities on multicultural human capital to induce concerted interactions in pursuing collective interactions between multicultural human capital or between monocultural and multicultural human capital. We predict that the cultural experiences of TMT members are an essential enabler for competitive advantage from multiculturalism-enhancing HR practice and how the cultural experiences help the beneficiaries of multiculturalism-enhancing HR practice share their multicultural knowledge within MNE and continuously identify and internalize the importance of their multicultural knowledge. The cultural experience may recognize how the performance implications of multicultural human capital align with MNEs' strategic direction; therefore, it enhances the effectiveness of TMT members' strategic formulation and implementation (Sambharya, 1996; Tihanyi, Ellstrand, Daily, & Dalton, 2000). In line with prior research, we consider the cultural experience that shapes the relationship between employee-experienced multiculturalism-enhancing HR practice and MNEs' competitive advantage. In particular, we propose that multicultural experiences generate the positive effect of multiculturalism-enhancing HR practice on competitive advantage by facilitating collective interactions.

The importance of foreign language within organization focuses on concertedness, which enhances emergent-enabling states (e.g., cognitive, behavioral, and affective states) by depending on its communication functions that help multicultural human capital disperse their knowledge with monocultural human capital for a competitive advantage. The prior study defines the language proficiency as *"the extent to which an individual knows and is able to manipulate the linguistic and semantic signals that together constitute a particular language so as to be able to transfer meaning in that language"* (e.g., Barner-Rasmussen, Ehrnrooth, Koveshnikov, & Mäkelä, 2014; Brannen, 2004). Furthermore, proficiency in a foreign language refers to *"high levels of skill and expertise in the language"* (Bordia & Bordia, 2014, p. 422). Multicultural knowledge may be introduced and shared as a foreign language within

an organization. We suggest that MNEs, which emphasize the importance of foreign languages at the organizational level, play a role in amplifying and transforming individual-level multicultural into unit-level human capital resources, thereby improving MNEs' competitive advantage. The collective interaction within MNEs may enhance firm-level cultural intelligence (CQ), referring to an individual's or organization's ability to understand, adapt to, and effectively interact with people from different cultural backgrounds in international business settings (Ang, Van Dyne, Koh, & Ng, 2004; Earley & Ang, 2003). Given that collective interactions vary in terms of the extent of communication, MNEs' multicultural capability is more likely to be developed in the continuous emergent-enabling states (Hong & Minbaeva, 2022; Ployhart & Moliterno, 2011). For MNEs seeking to enhance competitive advantage, employees' synergistic and complementary relationships must be managed under emergent-enabling states that may develop meta-cognitive, cognitive, motivational, and behavioral cognitive states. Foreign language proficiency may also increase the emotional states among employees. In our study, we adopt the importance of foreign language within an organization attached to competitive advantage to probe how collective efforts are channeled from cognitive, behavioral, and affective emergent states.

Lastly, we consider the CQ-promoting practice reshapes collective interaction patterns. In our study, the CQ-promoting practice focuses on the ability-promoting HR practices, such as selecting and training for international human capital in adapting to MNEs' multicultural environment (e.g., Kim et al., 2015). Indeed, the strategic human resource management literature suggests that the human resources inflow (i.e., selection practice) is associated with the supply of new knowledge (e.g., Li, Wang, Van Jaarsveld, Lee, & Ma, 2018). Training practices for current employees can help multinationals adapt to the turbulent multicultural environment (Mohamed, Singh, Irani, & Darwish, 2013). As such, the CQ-promoting practice allows MNEs to maintain the current human capital pool freshly, thereby reshaping collective

interactions pattern in MNEs. In this study, we submit that the CQ-promoting practice facilitates multiculturalism-enhancing HR practice to enhance competitive advantage by shaping the collective interaction of human capital resources that multiculturalism-enhancing HR practice leverages. We build on our logic from the fact that the flow of multicultural human capital can make MNEs' human capital pool refresh with updated individuals' KSAOs and reduce the stagnation of collective interactions (Hannan & Freeman, 1984). Consequently, the competitive advantage of MNEs is more likely to happen MNEs' unique contexts. We suggest our conceptual model in Figure 1.

[Insert Figure 1 about here]

HYPOTHESES DEVELOPMENT

Employee-experienced Multiculturalism-enhancing HR practice and Competitive Advantage

We postulate that multiculturalism is strategic assets for MNEs. The unique resources and capabilities that are difficult for competitors to imitate or substitute drive a firm's competitive advantage (Barney, 1991). These resources and capabilities refer to "*strategic assets*," including human capital (Barney & Wright, 1998). Human capital plays a crucial role in generating and sustaining a competitive advantage for a company. Human capital refers to the employees' knowledge, skills, expertise, and capabilities within an organization (Ployhart & Moliterno, 2011). It encompasses their education, training, experience, and individual attributes that contribute to the overall effectiveness and productivity of the workforce. Human capital help firms create and maintain a sustainable competitive advantage over time when firms continue to use human capital as "*strategic assets*." By developing and maintaining a solid foundation of human capital, firms can maintain a competitive edge compared with their

competitors and sustain their competitive advantage (Barney, 1991; Wright, Dunford, & Snell, 2001; Wright, McMahan, & McWilliams, 1994).

Multiculturalism stems from the degree to which individuals know about, identify with, and internalize more than one cultural background (Vora et al., 2019). Multiculturalism encompasses individual capacities, referring multicultural KSAOs such as cultural frame switching, cultural adaptability, culture-based creativity, cross-cultural communication skills, and cross-cultural attributional complexity (see, e.g., Fitzsimmons, Miska, & Stahl, 2011; Hong & Minbaeva 2022; Lućke, Kostova, & Roth, 2019). Multiculturalism literature has argued that multiculturalism enhances the competitive advantage of multinational corporations (Hong & Minbaeva, 2022). However, little has been argued about how individual-level multiculturalism enhance organizational-level competitive advantage.

Drawing on strategic HRM literature and strategic human capital resource emergence framework, we predict that employee-experienced multiculturalism-enhancing HR practice promotes competitive advantage by generating multicultural human capital. The mechanism through which multicultural human capital affect MNEs' competitive advantage is a multi-level phenomenon. The individual's multicultural experience and reactions result from organization's actual investment in multicultural HR practice. The relationship between actual HR practice investment and employee's perception and reaction (e.g., multicultural human capital) might be described as top-down approach (Delery & Roumpi, 2017; Kim et al., 2015). However, the positive implications of multicultural human capital benefits from multiculturalism-enhancing HR practice on MNEs' competitive advantage builds on bottom-up process (Wright & Nishii, 2017).

The bottom-up process of multiculturalism originates in the cognition, affect, behaviors, or other characteristics of multicultural individuals. Their interactions amplify it and manifest as a higher-level collective phenomenon like competitive advantage (Kozlowski &

Klein, 2000). The strategic human capital resource literature explicates the composition emergence to explain how individual human capital is transformed into a competitive advantage. The composition emergence refers to the summation of individual-level human capital (Nyberg, Reilly, Essman, & Rodrigues, 2018; Ployhart et al., 2014). Human capital resource is defined as “*unit-level capacities based on individual knowledge, skills, abilities, and other characteristics (KSAOs) that are accessible for unit-relevant purposes*” (Ployhart et al., 2014: p. 374). The composition emergence may facilitate the creation of human capital resource. Human capital resource should be considered to argue the extent to which individual human capital contributes to unit-performance. The MNEs' organizational efforts to develop individual multiculturalism may help facilitate composition emergence, thereby promoting MNEs' competitive advantages. In line with human capital resource literature (e.g., Ployhart et al., 2014), we describe the composition emergence derived from employee-experienced multiculturalism-enhancing HR practice, leading to the summation of individual-level multicultural human capital. The composition emergence of multicultural human capital combines individual multiculturalism in an additive manner (Ployhart et al., 2014). The beneficiaries of multiculturalism-enhancing HR practice may learn multicultural knowledge and identify and internalize knowledge they learned from foreign countries. After returning to their workplace, they may utilize the multicultural knowledge they learned in line with MNEs' strategy; as such, MNEs can benefit from multicultural knowledge for their competitive advantages.

Hypothesis 1: An employee-experienced multiculturalism-enhancing HR practice is positively related to MNEs' competitive advantage.

The Cultural Experiences of TMT Members

The contribution of multicultural human capital to competitive advantage is contingent on the extent to which MNEs align with the TMT members' cultural experiences. To achieve competitive advantages, TMT members should communicate to multicultural human capital about their cultural and strategic needs for competitive advantages to directly influence collective interactions toward competitive advantages. As such, we postulate the cultural experiences of TMT members that multicultural human capital attaches to cultural and strategic realities amplify the positive implications of multiculturalism-enhancing HR practice on competitive advantages. In particular, the facilitating effects of the multiculturalism-enhancing HR practice can be explained by 'complementarity.' On the one hand, when MNEs open toward multiculturalism, MNEs can better elicit organization-desired collective interactions that satisfy the strategic need for competitive advantages (Gupta & Govindarajan, 1984; Johanson & Vahlne, 1977; Tihanyi et al., 2000). As such, given that strategic realities are bounded by hierarchy and structured work, multicultural human capital garnered by multiculturalism practices is more likely to be channeled toward the direction from TMT members who have cultural experiences. Researchers have argued that high levels of human capital within TMT lead to several positive firm outcomes (e.g., Bruderl, Preisendorfer, & Ziegler, 1992; Hitt, Bierman, Shimizu, & Kochar, 2001). Given that cultural experience is a source of human capital that leads to competitive advantage, this line of logic builds on the idea that when competitive advantage is vital to MNEs, TMT members are more likely to recognize the contribution of multiculturalism within MNEs and guide multicultural human capital that benefits competitive advantage through the cultural experiences of TMT members (Tihanyi et al., 2000).

On the other hand, TMT members' cultural experience may mediate and integrate multicultural knowledge (e.g., cultural intelligence) across mono- and multicultural human capital. TMT members' cultural experience refers to the ability to implement the MNEs' vital

strategic decisions and create and develop networks across international boundaries. These abilities facilitate collective efforts toward competitive advantages by providing a beneficial context for collective interaction between monocultural and multicultural human capital. Specifically, MNEs that value competitive advantages tend to equip with a global mind, encouraging developing organization-wide knowledge of foreign markets and fueling competitive advantages. Thus, TMT members with high cultural experience are more likely to motivate multicultural human capital to materialize their multicultural knowledge and continuously identify and internalize the importance of multicultural experience. As such, multiculturalism-enhancing HR practice is more likely to lead to competitive advantages when the cultural experience of TMT members is higher. Therefore, we predict that the cultural experiences of TMT members positively moderate the relationship between employee-experienced multiculturalism-enhancing HR practices and competitive advantages.

Hypothesis 2: The cultural experiences of TMT members moderate the relationship between employee-experienced multiculturalism-enhancing HR practices and competitive advantages, such that this positive relationship is more pronounced when the ratio of TMT members experiencing foreign culture is pronounced within MNEs.

The Importance of Foreign Languages within an Organization

Wright and Nishii (2013) conceptualized actual HR practice elicit employee's experience of HR practice; thereby leading to employee's cognitive, behavioral, and affective reactions. Three emergent enabling states influence concerted collective reactions in cognitive, behavioral and affective manners (Ployhart & Moliterno, 2011). Accordingly, we propose the importance of foreign languages within an organization to amplify the positive implications of employee-experienced multicultural-enhancing practices on competitive advantage by

influencing these three emergent states, respectively. As a communication tool, MNEs' employees discuss (non)work-related issues (cross-cultural knowledge) on a daily basis (Lairing & Selmer, 2012); therefore, we predict that MNEs emphasizing the importance of foreign languages better create emergent states that can exchange CQ between monocultural and multicultural human capital.

First, when MNEs underline the importance of foreign languages, employees cultivate concerted cognitive states for CQ sharing and integration. Specifically, employees are more likely to hold overlapping cross-cultural cognitive representations and develop shared understandings regarding the economic purpose of MNEs. Such shared perceptions facilitate the formation of shared cognitive states for improving the effectiveness of cross-cultural knowledge exchange and aggregation. Foreign language serves as a channel that transmits and interprets messages between groups and plays a role in helping within- or between groups (HQ and foreign subsidiaries) understand each other through message interpretation (Barner-Rasmussen et al., 2014). In particular, the importance of foreign language promotes interconnections among multicultural individuals and, in turn, facilitate the development of organization-level knowledge architecture with a specialized division of labor from different knowledge expertise, reducing individuals' cognitive load and providing organizations with access to a multiculturalism repository (Argote & Ingram, 2000).

Second, when MNEs manage foreign language policy and practice within their organization, employees cultivate concerted behavioral processes for knowledge exchange and aggregation. The collective behavioral processes of an organization are manifested as employees' overt communication and explicit coordination in the work process (Ployhart & Moliterno, 2011). When employees are primarily exposed to foreign language-friendly environments, they are more likely to communicate and coordinate multicultural knowledge communicated through foreign language within HQ and between HQ-foreign subsidiaries

relationships to accomplish multicultural work tasks. Through communication, monocultural human capital may learn multicultural knowledge, an essential competitive advantage source. In addition, through explicit communication and coordination activities, employees can link the MNEs' international network toward forming a unified competitive advantage, removing the language barrier that might become a communication barrier within an organization, thereby enhancing competitive advantage (Barner-Rasmussen et al., 2014).

Third, when MNEs manage foreign language policy and practice within their organization, they are more likely to cultivate concerted emergent affective states for multicultural knowledge aggregation and transfer. The collective affective states among unit members are manifested by the strength of emotional 'bonds' and positive emotional orientation, which tie members together (Ployhart & Moliterno, 2011). Foreign language management can strengthen emotional 'bonds' by cultivating social capital in the workforce. In particular, through social capital, unit members can develop beneficial interpersonal relationships in the market (Hamzah & Abdullah, 2016; Lin, 2001). Such affective interactions are responsible for intervening in the interaction within HQ and between HQ-foreign subsidiaries through interpersonal relationships to create positive results, such as resolving misunderstandings, managing conflicts, and establishing trust between groups (Barner-Rasmussen et al., 2014). Accordingly, they are more likely to become emotionally attached and be motivated to develop their competence (Kozlowski & Ilgen, 2006). Furthermore, unit members engage in positive attribution related to the ulterior motive in a multicultural task environment, thus positively reacting to multicultural knowledge sharing and transfer. Therefore, we hypothesize the following:

Hypothesis 3: The importance of foreign languages within an organization moderates the relationship between employee-experienced multiculturalism-enhancing HR practices and

competitive advantages, such that this positive relationship is more pronounced when the importance of foreign languages is pronounced within MNEs.

Differentiated CQ-promoting Practice

The multiculturalism-enhancing HR practices benefit competitive advantage by eliciting collective interactions among the current multicultural human capital and non-beneficiaries (monocultural human capital). The practices help employees exchange, identify, and internalize multicultural knowledge. The differentiated CQ-promoting practice may provide an opportunity for complementarity to develop knowledge exchange and aggregation between the current and newly-developed multicultural human capital, and these may offer the chance for MNEs to create a sustainable competitive advantage from knowledge (Ployhart et al., 2014). The differentiated CQ-promoting practice is an ability-enhancing HR practice that may make organizations select and train multicultural human capital. As such, the extent to which multiculturalism-enhancing HR practices contribute to competitive advantage depends mainly on the nature of multicultural human capital that the practices leverage. In particular, to improve competitive advantages, multiculturalism-enhancing HR practices need to leverage the current multicultural human capital pool and present continuous exposure to new multicultural knowledge and environments to the current human capital pool. Following this logic, we postulate the differentiated CQ-promoting practice to amplify the positive effect of employees' perceived value of multiculturalism-enhancing HR practices on competitive advantage. As mentioned above, we predict that the complementarities leveraged by the differentiated CQ-promoting practice affect the positive implications of multicultural-enhancing practices for three reasons.

First, the differentiated CQ-promoting practice facilitates multicultural human capital to generate competitive advantages by updating multicultural human capital reservoirs, with

newcomers serving as a mechanism for refreshing the multicultural human capital pool within MNEs. Previous research suggests that the selected HR practices for international selection and training that enhance employee's ability can facilitate organizational outcomes (Kim et al., 2015). The new employees with qualitatively superior multicultural knowledge and the training program can update the multicultural human capital reservoir by infusing new multicultural knowledge within the MNEs (Shen, 2005). As the differentiated CQ-promoting practice enhances a variety of multicultural knowledge associated with the quickly updated knowledge reservoir, multiculturalism-enhancing HR practices strengthen MNEs' competitive advantage.

Second, we hypothesize that the differentiated CQ-promoting practice reduces organizational stagnation that impedes multicultural human capital from improving competitive advantages. Multicultural knowledge becomes eventually routinized over time or does not have a lasting positive impact on competitive advantages. The content and ability to deliver multicultural knowledge, especially to monocultural human capital, will likely maintain a shared schema based on pre-existing interests and cultures in MNEs (Hannan & Freeman, 1984). The stagnant states of multicultural human capital within MNEs may depend on the established organizational routines and are less open to new multicultural knowledge (Sørensen & Stuart, 2000). This organizational phenomenon may hinder the current monocultural and multicultural human capital from finding out new sources of knowledge. As such, we predict that the differentiated CQ-promoting practice revitalizes the process, increasing collective interaction's flexibility and adaptability. The inflow of new multicultural human capital help MNEs reshape their patterns of collective interaction, facilitating multiculturalism-enhancing HR practices to promote competitive advantages. Furthermore, through training, monocultural and multicultural human capitals to work together and balance the mix of monocultural and multicultural human capitals, MNEs may heavily rely on current organizational stagnations.

Third, the differentiated CQ-promoting practice helps MNEs improve organizations'

receptivity and creative solutions unrelated to current routines because the inflow of new multicultural human resources improves organizational openness to divergent solutions (Staw, 1981). In other words, the differentiated CQ-promoting practice can reduce the formation of “*groupthink*” (Schneider, Goldstein, & Smith, 1995). As such, MNEs that operate the differentiated CQ-promoting practice are less likely to rely on the current multicultural knowledge. Therefore, MNEs are more likely to benefit from multiculturalism-enhancing HR practices when a differentiated CQ-promoting practice leverages the current multicultural human capital. By selecting or training human capital that enables complementary relationships with other firm resources, including monocultural and multicultural human capital, the differentiated CQ-promoting practice may help MNEs to create a competitive advantage. Therefore, we hypothesize the following:

Hypothesis 4: The differentiated CQ-promoting architecture moderates the relationship between employee-experienced multiculturalism-enhancing HR practices and competitive advantages, such that this positive relationship is more pronounced when the differentiated CQ-promoting architecture is pronounced within MNEs.

METHOD AND RESULTS

Sample and Procedure

The data comes from the Human Capital Corporate Panel (HCCP) Survey from the Korean Research Institute for Vocational Education and Training (KRIVET, 2015) and the Korean Information Service (KIS, 2022). The HCCP comprises the Workplace and Employee Survey. The HCCP reports information on firms’ strategies, HR practice, and employees’ job-related outcomes. The HCCP identifies the firm id that can make researchers link Workplaces and

Employees Survey. It enables us to study the effect of firm-level strategies and practices on employees' experiences and reactions. Previous studies (e.g., Kim et al., 2015) used HCCP datasets because researchers empirically validate the unique phenomenon of MNEs. KRIVET has conducted the HCCP survey every two years since 2004, including several questions regarding MNEs' business strategies. We adopted Workplace and Employee survey data during 2006-2015 because only that period included the survey item we wanted to study. Before 2006, KRIVET did not include survey items we were interested in, and after 2015, KRIVET dropped that information. Building on HCCP data, we conducted an empirical analysis containing multiculturalism-related information about our research interest during that period.

Korean Information Service (KIS) dataset provided information on the TMT members, financial, and industry information. Following the guidelines KRIVET and KIS officially suggest, we created the sampling frame by matching the same firm code, including 732 firms. For the survey in 2006-2015, 607 firms provided the information for the proposed research hypotheses. We also dropped 136 firms because we assumed that they were not MNEs, in our study. We define MNEs as either their export ratio outweighing 10% based on their total sales or operating foreign subsidiaries in sales, production, and R&D function. The final sample size is 33,741 managers and employees working at 471 firms in 24 manufacturing industry categorizations (two-digit Korea Standard Industry Code). Our dataset builds from a lagged cross-sectional design, with data for the dependent variables (competitive advantage) collected in Time 1 and for the independent and control variables collected in Time 1.

Measures

Internal and external competitive advantages (Workplace Survey in Time 2)

The literature on competitive advantage is mature; however, the measure of competitive advantage must be further discussed. While there are many attempts to reconcile the

competitive advantage measurement (e.g., Ray, Barney, & Muhanna, 2004), previous studies have used information from employee surveys to describe competitive advantage. In line with the previous research, we adopted the survey information reported by department managers of each MNEs. Department managers rated competitive advantage from the internal and external perspective: (a) internal: operating process (*hereafter process*) and (b) external: customer service (*hereafter customer*). They rated competitive advantages on a five-point Likert-type scale ranging from 1 (much lower than the industry average) to 5 (significantly higher than the industry average). In terms of process, they assessed the company's competitiveness against competitors in their industry, including (a) new product development; (b) task procedures efficiency; (c) cost reduction management; (d) product/service quality; and (e) production yield improvement ($\alpha = .849$, $r_{wg(5)} = .86$, $ICC(1) = .09$, $ICC(2) = .73$, $F = 3.69$, $p < .001$). For the customer, department managers also rated the degree of competitiveness against competitors in their industry area, including (a) prompt response to customer needs; (b) diversity of product/service; (c) new customer acquisition rate; (d) key customer retention rate; and (e) brand image management ($\alpha = .861$, $r_{wg(5)} = .88$, $ICC(1) = .16$, $ICC(2) = .84$, $F = 4.94$, $p < .001$). Before empirically validating our research hypotheses, we conducted an exploratory factor analysis (EFA) to confirm the discriminant validity. Table 1 contains the results of an EFA with a varimax rotation for ten items of two competitive advantages. Table 1 shows that the results of an EFA created two factors that perfectly matched our intended construct. Based on this result, we understand that the two competitive advantage indexes are distinct constructs.

[Insert Table 1 about here]

Employee-experienced multiculturalism-enhancing HR practices (Employee Survey in Time 1)

We identified multiculturalism-enhancing HR practices as a support system that improves

multiculturalism and included (a) the overseas training program; (b) the overseas graduate degree program; and (c) the overseas certificate. We used the employees' job-related abilities resulting from multiculturalism-enhancing HR practices reported by employees. The respondents rated each effect of multiculturalism-enhancing HR practices on job-related ability on a five-point Likert-type scale ranging from 1 (no participation) to 5 (there were a lot). HCCP defines overseas training programs such as language training, job-related training, and career development activities. The overseas graduate degree program encompasses the overall support systems at foreign educational institutes (e.g., MBA, general graduate school, and vocational school). For the overseas certificate (e.g., international accounting professionals), employees indicated the extent to which their overseas certificates had improved their current job skills. Vora et al (2019) mentioned that multiculturalism comes from knowledge-, identification-, and internalization of something employees may experience. Multicultural-experienced job-related abilities may come from the fact that they recognize the knowledge, identification, and internalization they experienced in foreign countries (Hong & Minbaeva, 2022). The multicultural provided all the data for the measure from each organization. Based on the criteria suggested by Vora et al (2019), we assumed that multicultural human capital perceived by employees could comprise the formative measure for employee-experienced multiculturalism-enhancing HR practice. As the indicators of these formative measures do not necessarily correlate, we did not confirm internal consistency on these formative scales (Bollen & Lennox, 1991).

The cultural experiences of TMT members (KIS in Time 1)

In line with Tihanyi et al (2000) approach, our measurement of the cultural experience of TMT members builds upon the information on the cultural experience of TMT members with their education and work experience at the foreign organization. We calculated the cultural

experience of TMT members by the ratio of TMT members with overseas education and work experience divided by the total number of TMT members. Our measurement builds on the previous experience of TMT members provided by KIS. KIS provides information on TMT members' previous work positions, experience, research, education, and current jobs—the scope of information disclosure of TMT members provided by KIS changes each year. As our study builds on time-lagged data, capturing the total cultural experience of TMT members on an accurate and unified basis was necessary. As KIS continuously and annually provides the previous education and work experience of TMT members, this information is appropriate to describe the cultural experience of TMT members accurately and increases the reliability of the study.

The importance of foreign language within an organization (Workplace Survey in Time 1)

We measured the importance of foreign language within an organization by whether or not foreign language proficiency was included among the top three selection criteria when hiring for new or experienced positions. HCCP presented fifteen selection criteria¹ in the Workplace Survey, and the HR manager of each firm should choose the top three selection criteria. Among the three selection criteria, we coded one if the HR manager decided on foreign language proficiency, coded it as 0 for companies that did not, and used it for research.

CQ-promoting practice (Workplace Survey in Time 1)

The CQ-promoting practice may help MNEs refresh their multicultural human capital pool with updated KSAOs and reduce the stagnation of the existing collective interaction. To

¹ (a) academic background; (b) major; (c) GPA; (d) the name of the graduated school; (e) previous work experience; (f) license/certificate; (g) personality/morality; (h) teamwork ability; (i) job competency; (j) foreign language proficiency; (k) potentials; (l) regional connection; (m) appearance; (n) fit with organizational values; (o) others

identify our assumption, we created a new index comprised of (1) the ratio of foreigners to newly hired employees; (2) the ratio of newly hired employees who got their degree at foreign educational institutions; (3) the per capita training costs for new employees going abroad for overseas training programs; and (4) the degree of utilization of overseas education programs. This index builds from subjective and objective measurements in line with previous studies (e.g., Kim et al., 2015). HR manager reported the total payments for multicultural staffing and training. We also used objective information. One HR manager of each MNE also assessed the extent to which MNEs' multiculturalism-enhancing HR practices are effectively operated based on a four-point Likert-type scale ranging from 0 (not operated) to 5 (there were a lot) in Time 1. Based on this information, we standardized all items and then added those scores to create the new organization-wide CQ-promoting practice. Whereas we measured employee-experienced multiculturalism-enhancing HR practices with the information on the returned employees who have already experienced those programs, the construct for CQ-promoting practice builds on information on new employees.

Control variables (KIS, Workplace and Employee Survey in Time 1)

Given the prior studies (e.g., human capital resources literature), we controlled for some variables that may influence our research hypotheses for a more rigorous hypothesis analysis. First, we included firm size (the total number of regular employees) as large MNEs have considerable resources to operate multiculturalism-enhancing HR practices (Drnevich & Kriauciunas, 2011). Second, firm age (the number of years since the MNE was founded) is expected to negatively influence competitive advantages as older MNEs are subject to organizational inertia, which reduces the motivation to increase their competitive advantages. We took a natural logarithm into firm size and age to satisfy the assumption of normal distribution. Third, we controlled for unionization (1: organization without labor union or

labor-management council, and 0: otherwise). Fourth, we controlled for HPWP, which may overemphasize the effect of multiculturalism-enhancing HR practices on competitive advantage (Shin & Konrad, 2017). In line with the available information from both Workplace and Employee surveys, we created the new index of HPWP by summing the z-transformed scores. We used five HR practices: (1) internal training ratio (the proportion of internal training [formal in-house training] programs completed by the regular employees divided by the total number of regular employees); (2) selection costs (selection-relevant expenditure per hired personnel); (3) the number of performance evaluation practices (e.g., balanced score card, management by objectives, capability evaluation, and multisource feedback); (4) the number of pay for- performance compensation practices (e.g., individual-, team-, department-, organization-based incentive and profit sharing practice); and (5) information sharing within an organization. For information sharing, we include three items reported by employees. A sample item is “Our company shares organization information (e.g., strategy and financial performance) with all employees through information systems” ($\alpha = .913$, $r_{wg(3)} = .81$, $ICC(1) = .11$, $ICC(2) = .80$, $F = 4.85$, $p < .001$). The five HPWP were standardized as z-score and added to compute the composite HPWP score. The six HR practices were individually z-transformed and summed to compute the composite HPWP score. Next, we controlled for MNEs’ export intensity and geographic diversification because the degree of internationalization influences the motivation to adopt multicultural-enhancing practices and three emergent-enabling mechanisms. Strategy managers reported export intensity as six categorical scales from 1 (no export) to 6 (over 70%). We also included geographic diversification as a dummy variable (1: foreign subsidiary in at least one region; and 0: otherwise). Lastly, we included firm-, industry-, and time dummies due to the potential events which are unobserved but may affect MNEs’ activities and outcomes.

Analytical Strategy

We examine the implications of employee-experienced multiculturalism-enhancing HR practice using a firm-year unit of analysis. We lag the dependent variable by one year to confirm the causal implications. With firm-year records for research analysis, we used general linear squares (GLS) fixed-effects models to test our hypotheses. GLS models rectify autocorrelation and heteroscedasticity in pooled time series data (Kmenta, 1986). Using the Hausman test (Baltagi, 1995: 86), we compared our fixed-effects models to random-effects models, which were preferred in all cases.

We postulated the bottom-up process through which employees' perceptions of multiculturalism-enhancing HR practices affect competitive advantage; however, our empirical analyses were conducted at the organizational level. The respondents' ratings were aggregated at the organizational level. To identify the organizational-level aggregation, this study confirms (a) within-organization agreement ($r_{wg(j)}$) and (b) intra-class correlations (ICC(1) and ICC(2)) statistics to justify the organizational-level aggregation and all scales exhibit acceptable levels for analysis (all $r_{wg(j)}$ values $> .70$, ICC(1) values $> .05$, and ICC(2) values $> .60$) (Bliese, 2000; James, 1982; James, Demaree, & Wolf, 1984). We consider the time-lagged research setting between multiculturalism-enhancing HR practices and competitive advantages to establish the causal relationship.

Descriptive Statistics and Main Results

Table 2 reports the descriptive statistics and correlations among variables. The independent, dependent, and moderating variables are significantly correlated. Specifically, employee-experienced multiculturalism-enhancing HR practices are significantly correlated with (a) process and (b) customer competitive advantage ((a) $r = 0.195$, $p = 0.000$; (b) $r = 0.144$, $p = 0.000$). We confirm multicollinearity through the variance inflation factor (VIF). The highest

VIF score is 1.972 (mean VIF = 1.372), suggesting no severe multicollinearity problem in our research model.

[Insert Table 2 about here]

[Insert Table 3 about here]

Table 3 shows the results of GLS regressions. Models 1 and 6 include only control variables. HPWP strongly affects competitive advantages (Model 1: $\beta = 0.042$, $p < .01$; Model 6: $\beta = 0.043$, $p < .01$). Our research postulates that employee-experienced multiculturalism-enhancing HR practice is positively related to competitive advantage (Hypothesis 1). The coefficient of the linear term of multiculturalism-enhancing HR practices in Model 2 in Table 2 exhibits a significantly positive relationship with competitive advantages (Model 2: $\beta = 0.020$, $p < .01$; Model 7: $\beta = 0.019$, $p < .01$). Thus, Hypothesis 1 is statistically supported.

Hypotheses 2-4 propose that the emergence-enabling mechanism positively moderates the effect of multiculturalism-enhancing HR practice on MNEs' competitive advantage. The interaction term of multiculturalism-enhancing HR practice with the cultural experience of TMT members is included in Models 3 and 8 in Table 3. We confirmed that the cultural experience of TMT members has a positive moderating effect on the relationship between multiculturalism-promoting practice and competitive advantage in terms of customers (see Model 8: $\beta = 0.120$, $p < .01$), but we cannot confirm the moderating effect with a competitive advantage in terms of internal process (see Model 3: $\beta = -0.002$, *n.s.*). To further examine significant interaction, we used a simple slope analysis (Aiken & West, 1991). Figure 2 represents that the effect of multiculturalism-enhancing HR practice on competitive advantage (customer) is more salient for firms with a high cultural experience of TMT members than for

firms with a low one (*Low: $b = -0.009, p = 0.393$; High: $b = 0.035, p < 0.001$* , respectively). Thus, Hypothesis 2 is statistically supported. Hypothesis 3 predicts that the importance of foreign language within an organization is more likely to strengthen the benefits of multicultural-enhancing practice on competitive advantage. The interaction between the multicultural-enhancing practice and the importance of foreign language is significant (Model 4: $\beta = 0.085, p < 0.01$; Model 9: $\beta = 0.085, p < 0.01$). Further, we confirm the graphical illustration that describes the moderating role of the importance of foreign language in the relationship between multiculturalism-enhancing HR practice and competitive advantage (Figure 3: *Low: $b = 0.000, p = 0.962$; High: $b = 0.055, p < .001$* , respectively; Figure 4: *Low: $b = -0.002, p = 0.868$; High: $b = 0.054, p < .001$* , respectively). Thus, Hypothesis 3 is also statistically supported. Lastly, we predicted that CQ-promoting practice positively moderates the relationship between multicultural-enhancing practice and competitive advantage (Hypothesis 4). Models 10 in Table 3 indicate that the moderating role of CQ promoting practice represents positive values on competitive advantage (customer) (*Model 10: $\beta = 0.007, p < 0.01$*). However, we did not find empirical evidence of competitive advantage (internal process) (*Model 5: $\beta = 0.000, n.s.$*). We confirm that Hypothesis 4 is statistically supported based on the empirical results above. We also conducted a simple slope analysis to explore the interaction effect. Figure 5 represents that multiculturalism-enhancing HR practice is more likely to enhance competitive advantage for MNEs who actively operate CQ-promoting practice than low one (*Low: $b = -0.004, p = 0.687$; High: $b = 0.020, p = 0.044$* , respectively).

[Insert Figure 2-5 about here]

DISCUSSION AND CONCLUSION

Based on 33,741 Korean employees working at MNEs in manufacturing sectors, we examined the effect of employee-experienced multiculturalism-enhancing HR practice on MNEs' competitive advantage with a strategic human capital resource emergence perspective and multilevel approach. Although multiculturalism's effect has been well theorized and empirically validated, more must be known about the relationship between multiculturalism and organizational outcomes. Building upon multiculturalism literature and strategic human capital resource theory, we found that multiculturalism-enhancing HR practice enhances MNEs' competitive advantage. Furthermore, we also suggested and validated that three emergence-enabling mechanisms amplify the collective interaction across employees, thus, leading to positive implications of the multiculturalism-enhancing HR practice. As predicted, we confirmed that the experience of TMT members, foreign language, and CQ-promoting practice are critical contextual factors in transforming and facilitating individual-level multicultural human capital into organizational-level human capital resources and outcomes.

Theoretical Implications

Our study advances and integrates the literature on multiculturalism, strategic human capital resource, and competitive advantage. First, we unraveled the link between multiculturalism-in-particular, multicultural human capital and competitive advantage. While prior research has adopted chiefly a micro, psychological perspective on the link between multiculturalism and individual outcome within the past two decades and more recently in international business literature (e.g., Benet-Martínez, Leu, Lee, & Morris, 2002; Peltokorpi, & Zhang, 2022), our study adopted the resource-based view of multiculturalism as a strategic resource for MNEs and bottom-up process of it (Hong & Minbaeva, 2022). To answer *how* multicultural human capital emerges, we identified employee-experienced multiculturalism-enhancing HR practices. To answer *when* multicultural human capital evolves question, we identified the emergence-

enabling mechanism as a boundary condition such that multicultural human capital is mainly facilitated and transformed into unit-level human capital resources and outcomes (i.e., MNEs' competitive advantage). In other words, we uncovered that multicultural human capital is particularly effective when MNEs underline the importance of (a) the cultural experience of TMT members; (b) foreign language within an organization; and (c) CQ-promoting practice. By identifying a predictor and boundary conditions of MNEs' competitive advantage, we contribute to the literature on both multiculturalism and human capital resource (Hong & Minbaeva, 2022). Prior studies have mainly investigated how human capital resources are related to performance parity, such as financial performance (e.g., Oh, Kim, & Van Iddekinge, 2015), and performance parity is achieved through the pursuit of best practices. However, our study contributes to the literature on multiculturalism because we regard multiculturalism as competitive assets of competitive advantage through the pursuit of differentiation.

Our study also contributes to the theoretical argument on the composition and compilation emergence suggested by human capital resource literature (Nyberg et al., 2018; Ployhart et al., 2014). We demonstrate that competitive advantage can be achieved through the bottom-up process through which employee-experienced multiculturalism-enhancing HR practices affect MNEs-level outcomes. The employee-experienced multiculturalism-enhancing HR practice may help MNEs add multicultural human capital within an organization (composition emergence). Further, to complement and create a synergistic relationship between multicultural human capital (or monocultural human capital), MNEs try to establish MNEs unique context. By identifying three MNEs' unique contexts that correspond to the emergence-enabling mechanisms suggested by Hong and Minbaeva (2022) and adopting the contingency perspective of strategic HRM literature, we confirm the boundary condition where MNEs can facilitate collective interaction of multicultural human capital that enhances the competitive advantage of MNEs. Studies on human capital resources suggested the composition and

compilation emergence; however, they could not fully describe the heterogeneous effects on organizational performance (Nyberg et al., 2018). Recognizing this literature, researchers in the field of strategic human capital resource call for the investigation of emergence-enabling mechanisms for the human capital–competitive advantage relation to understanding the boundary conditions under which firms reap the benefits (e.g., Nyberg et al., 2018; Ray, Essman, Nyberg, Ployhart, & Hale, 2023). Responding to this call, we unraveled composition and compilation emergence that allow multicultural individuals to find additional value from employees’ experience and reactions from multicultural HR practice for competitive advantage, effectively integrating the meso-level with the contingency HRM perspective.

Managerial Implications

Compared to other countries, Korea needs to show more effort and attention in managing and developing multicultural human capital. In general, Korean MNEs have mainly hired locals because Korean human capital has been evaluated as highly educated people who make work results immediately. Therefore, the importance and value of foreign workers has less been underlined than in other countries. However, our study shows that multicultural human capital also plays a pivotal role in Korean MNEs, where most of the workforce is local workers. Our findings demonstrate that the demand for multiculturalism is crucial.

Our study provides several managerial implications. First, our findings suggest that the employees' perceived value of multiculturalism-enhancing HR practices is critical in fostering competitive advantages for the MNEs. Given that the multiculturalism-enhancing HR practice is related to multicultural human capital, organizational efforts to improve the effectiveness of practices should prove fruitful. Second, managers need to be aware that several organizational factors help the current multicultural human capital facilitate competitive advantage (Hong & Minbaeva, 2022) and should, therefore, indirect more effort toward

instituting multicultural standards and norms rather than considering the costs derived from the multiculturalism-enhancing HR practices.

Our findings also underline MNEs' unique contexts that facilitate collective interactions among multicultural human capital, thus leading to MNEs' competitive advantages. For example, MNEs might consider hiring TMT members with cultural experience or multicultural human capital, guiding them in a way that benefits the company based on their experience. The cultural experience of TMT members may help MNEs diagnose and improve their multiculturalism and make competitive advantages more efficient. To facilitate collective interactions, TMT members and HR managers should be concerned about sharing the knowledge multicultural human capital can share within the MNEs and learning and internalizing its knowledge by employees who have yet to experience multiculturalism. To maintain and secure the benefits of multicultural human capital, business leaders and managers must help employees who have benefited from multiculturalism-enhancing HR practices to perform their duties even after returning to MNEs. If they consider leaving the current MNEs due to maladjustment problems, not only cannot MNEs reap the benefits from multicultural human capital, but MNEs will take the costs.

Limitation and Future Direction

Despite its theoretical and managerial implications, our study has several limitations. First, the Korean context may affect our findings. Even though scholars have suggested that multiculturalism is a resource that affects firm-level outcomes (e.g., Roth, 1995; Reuber & Fischer, 1997; Daily et al., 2000; Carpenter et al., 2001), given that international diversification or export strategy are highly valued, the positive implications of multiculturalism-enhancing HR practices might be underlined in Korean MNEs. Therefore, future studies further confirm the generalizability of our findings beyond the Korean sample.

Second, the survey items HCCP offers restricted our research scope to empirically validate the emergence mechanisms to facilitate the beneficial influence of multiculturalism-enhancing HR practices on competitive advantage. Our study did not unravel how multicultural human capital is transformed into unit-level human capital resources. This is one of the future studies continuously raised in the human capital resources literature (Nyberg et al., 2018). To deeply understand the underlying emergence process of multicultural human capital, future research establishes a moderated mediation model (e.g., knowledge, identification, and internationalization from multiculturalism-relevant practices) through which the emergence-enabling mechanism shapes the multicultural human capital–competitive advantage relationship.

Third, due to the limitation of the HCCP data set, we had no choice but to empirically validate the proposed model by relying on many proxy variables. We tested the strategic human capital resource emergence in multicultural settings to respond to a call for Hong and Minbaeva's (2022) suggestion. We adopted the cultural experience of TMT members, the importance of foreign language within an organization, and the CQ-promoting practices to describe the emergence-enabling mechanisms for competitive advantage. In multiculturalism literature, no established reconciliation exists to measure the variables above (Vora et al., 2019). Adopting the variables used in previous studies, we adopted the proxies that may partially represent the research intention for the emergence-enabling mechanism; however, our proxy may not accurately cover our research intent. In addition to three emergent-enabling mechanisms, future study recognizes how other organizational contexts shape the patterns of collective interactions. Thus, the future research finds beyond the three studied mechanisms to identify other factors that can either facilitate or hinder the emergence of strategic human capital resources by multiculturalism-enhancing HR practices. For example, future research might develop a differentiated CQ-promoting practice that reflects the ability-motivation-

opportunity framework more rigorously. Thus, the measure for multiculturalism research needs to be further developed. Our theorization of multiculturalism-enhancing HR practice can open more in-depth research by adopting the emergence-based human capital resource framework to test multilevel phenomena.

Conclusion

Integrating the multiculturalism literature and strategic human capital resource theory, our research reveals that, as employees perceive the value of multiculturalism-enhancing HR practices, multiculturalism is developed, enhancing MNEs' competitive advantages. Furthermore, the emergent-enabling mechanism facilitates multicultural human capital and enhances organizational-level outcomes. Our findings demonstrate that multicultural human capital leads to MNEs' competitive advantages.

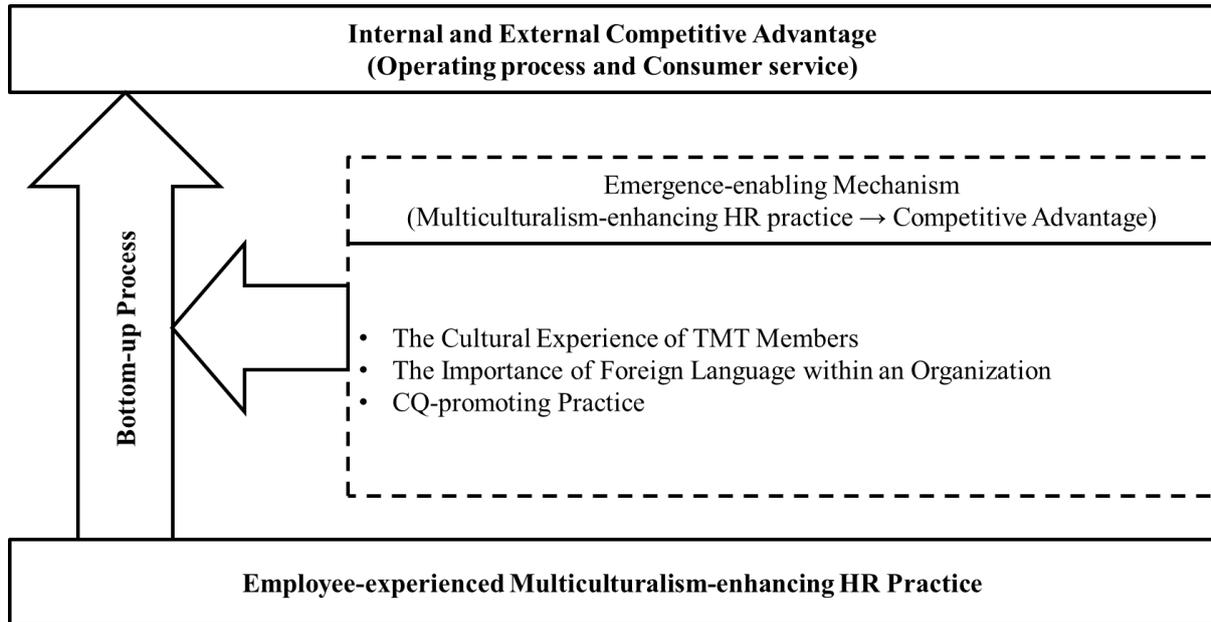
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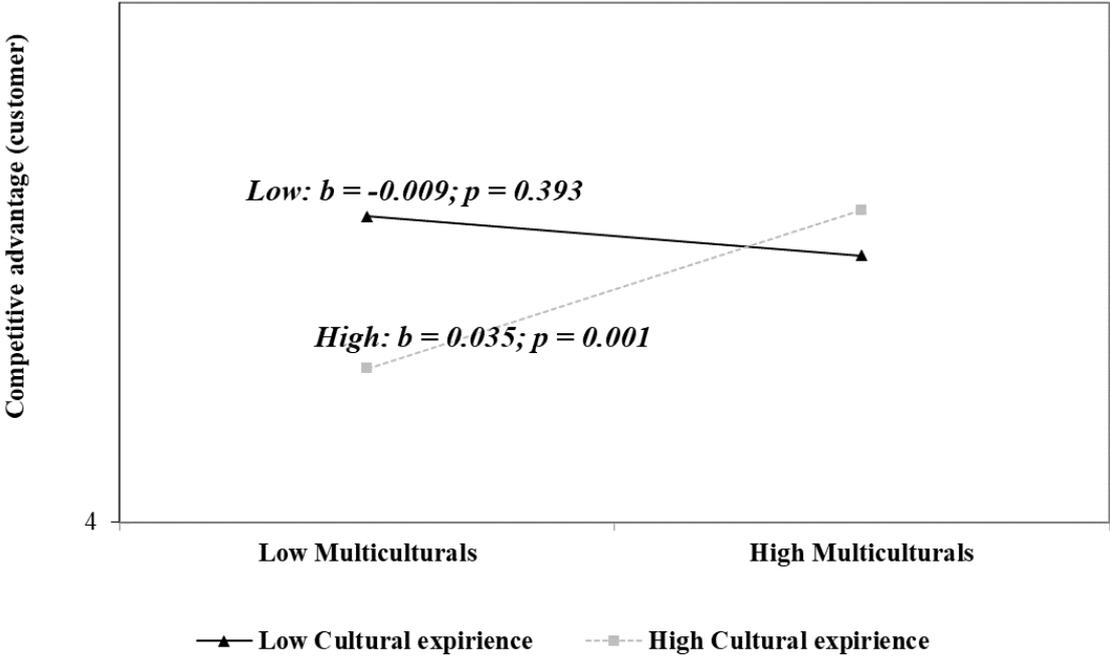
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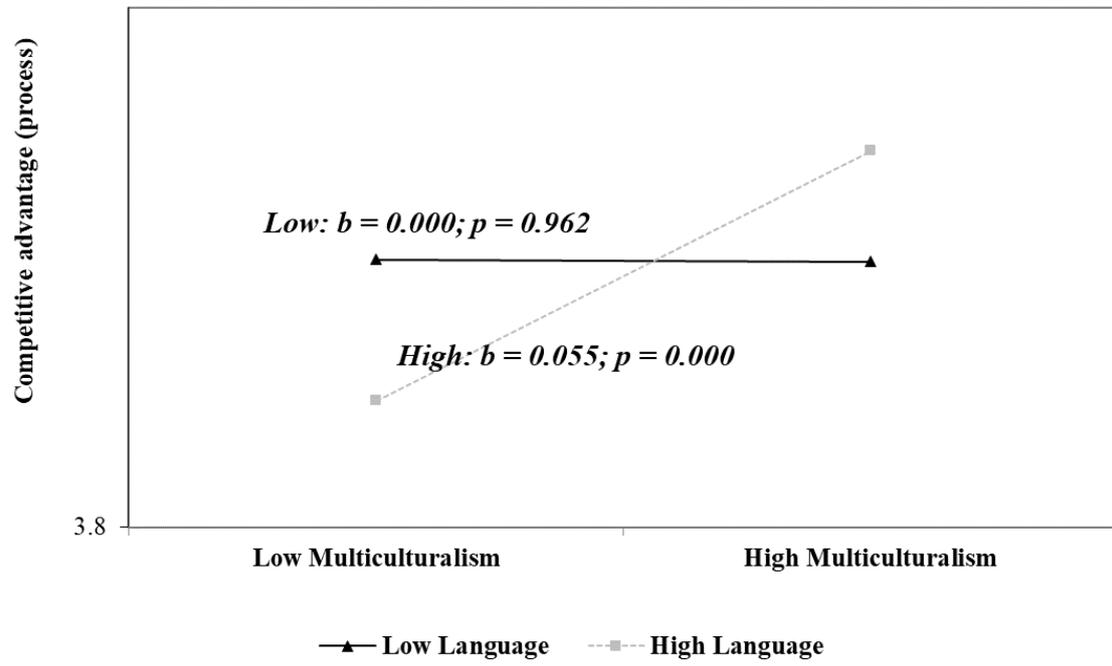
[Figure 1] Conceptual Model for Research Hypotheses



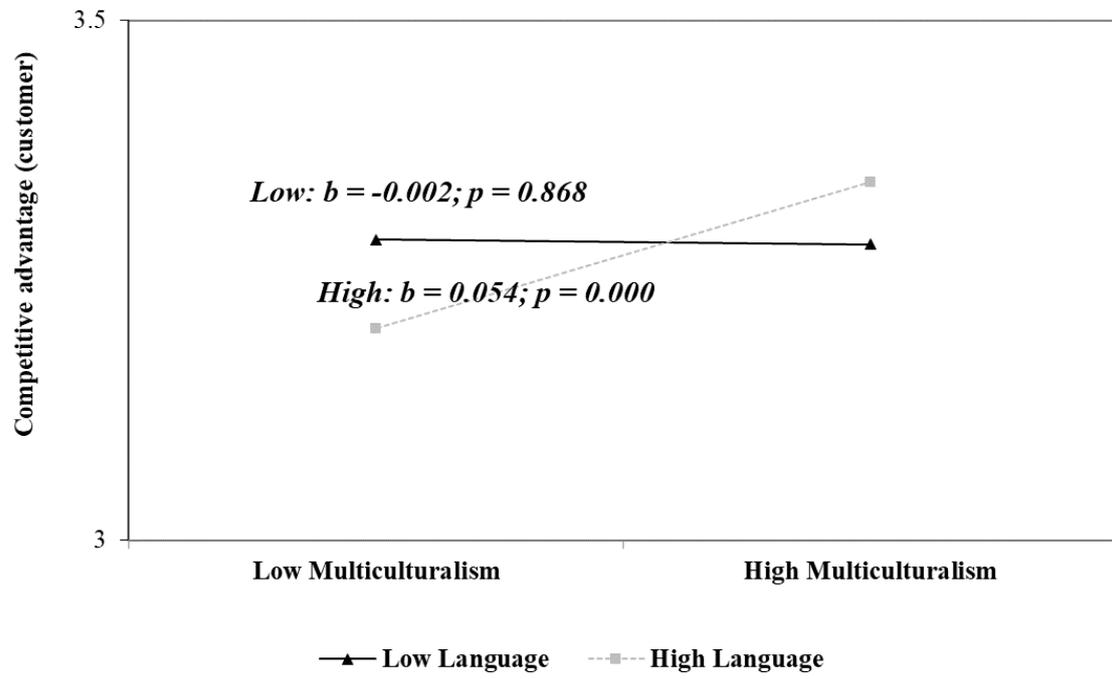
[Figure 2] The Two-Way Interaction Between Multiculturalism and The Cultural Experiences of TMT Members in Predicting Competitive Advantage (customer service)



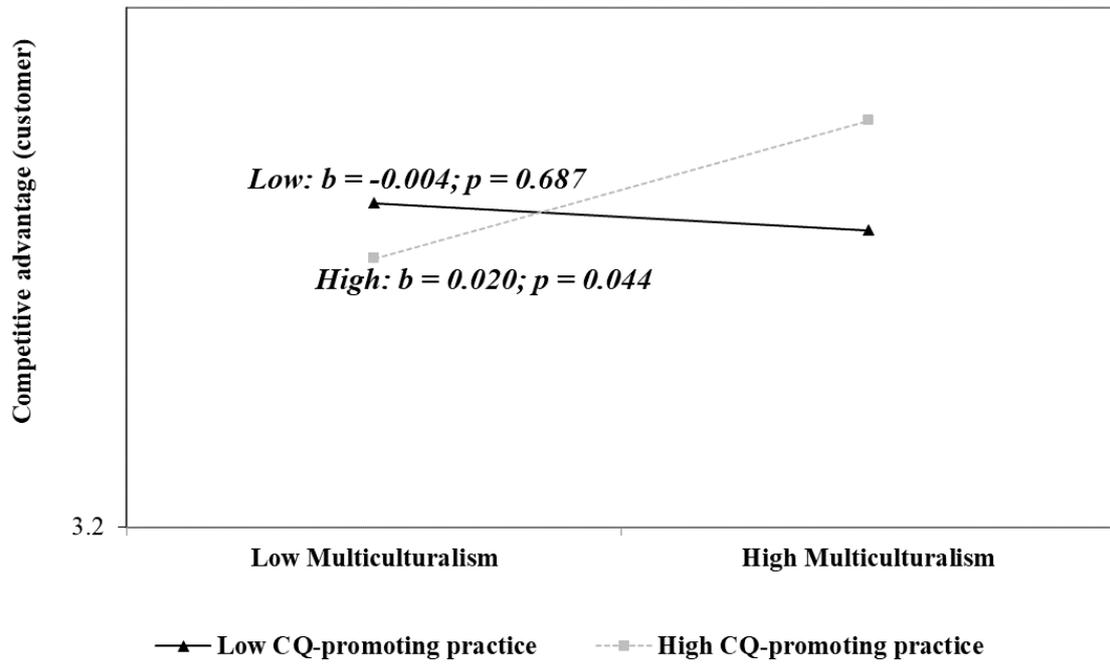
[Figure 3] The Two-Way Interaction Between Multiculturalism and The Importance of Foreign Language in Predicting Competitive Advantage (operating process)



[Figure 4] The Two-Way Interaction Between Multiculturalism and The Importance of Foreign Language in Predicting Competitive Advantage (customer service)



[Figure 5] The Two-Way Interaction Between Multiculturalism and CQ-promoting Practice in Predicting Competitive Advantage (customer service)



[Table 1] Results of Exploratory Factor Analysis

Items	Factor loadings	
	1	2
Internal competitive advantage (operating process)		
(1) New product development	0.575	0.451
(2) Task procedure efficiency	0.751	0.181
(3) Cost reduction management	0.784	0.256
(4) Product/service quality	0.695	0.427
(5) Production yield improvement	0.747	0.359
External competitive advantage (customer service)		
(1) Prompt response to customer needs	0.483	0.566
(2) Diversity of product/service	0.242	0.761
(3) New customer acquisition rate	0.252	0.779
(4) Key customer retention rate	0.288	0.758
(5) Brand image management	0.384	0.727

[Table 2] Descriptive Statistics and Correlations

Variables	Mean	S.D.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1) Firm size ^{a)}	5.89	1.03											
(2) Firm age ^{a)}	3.44	0.53	0.129** (0.000)										
(3) Unionization	0.92	0.27	0.167** (0.000)	0.154** (0.000)									
(4) HPWP	-0.28	2.89	0.442** (0.000)	0.018 (0.502)	0.090** (0.001)								
(5) Export intensity	3.63	1.44	0.053* (0.044)	-0.155** (0.000)	-0.041 (0.117)	0.009 (0.718)							
(6) Internationalization	0.75	0.43	0.163** (0.000)	0.035 (0.176)	0.028 (0.278)	0.093** (0.000)	0.143** (0.000)						
(7) Multiculturalism	-0.04	1.32	0.273** (0.000)	0.016 (0.550)	0.048 (0.067)	0.241** (0.000)	0.005 (0.837)	0.028 (0.277)					
(8) CE ^{b)} of TMT	0.16	0.18	0.267** (0.000)	0.037 (0.274)	0.048 (0.158)	0.260** (0.000)	-0.036 (0.283)	-0.015 (0.661)	0.188** (0.000)				
(9) Foreign language ^{c)}	-	-	0.001 (0.956)	-0.042 (0.111)	0.059* (0.023)	0.051* (0.049)	0.120** (0.000)	0.004 (0.878)	-0.001 (0.968)	0.032 (0.351)			
(10) CQPP ^{d)}	-0.11	1.80	0.220** (0.000)	0.074** (0.005)	0.014 (0.591)	0.185** (0.000)	0.046 (0.075)	0.026 (0.322)	0.243** (0.000)	0.161** (0.000)	0.062* (0.017)		
(11) Process CA ^{e)}	3.54	0.46	0.286** (0.000)	0.057* (0.028)	0.062* (0.017)	0.395** (0.000)	0.001 (0.970)	0.019 (0.457)	0.195** (0.000)	0.154** (0.000)	0.039 (0.139)	0.074** (0.005)	
(12) Customer CA ^{e)}	3.60	0.45	0.255** (0.000)	0.074** (0.005)	0.059* (0.023)	0.338** (0.000)	0.023 (0.371)	0.054* (0.038)	0.144** (0.000)	0.146** (0.000)	0.080** (0.002)	0.099** (0.000)	0.802** (0.000)

Observation = 1471 (MNE = 471)

Note: a) A natural logarithm is used to scale this variable; b) CE: cultural experience; c) Dummy variable; d) CQPP: CQ-promoting practice; e) CA: competitive advantage

Note: p-values are in parentheses.

[Table 3] Results of GLS Regression

Dependent variable	Model (1)	Model (2)	Model (3)	Model (4)	Model (5)	Model (6)	Model (7)	Model (8)	Model (9)	Model (10)
	Internal competitive advantage (operating process)					External competitive advantage (customer service)				
Constant	4.010*** (.402)	3.953*** (.401)	4.219*** (.792)	3.952*** (.400)	3.953*** (.402)	3.337*** (.389)	3.287*** (.388)	4.163*** (.743)	3.284*** (.387)	3.325*** (.388)
Firm size	-.040 (.035)	-.041 (.035)	-.028 (.048)	-.042 (.035)	-.042 (.035)	.001 (.034)	-.001 (.034)	.035 (.045)	-.001 (.034)	-.003 (.034)
Firm age	-.209 (.142)	-.179 (.142)	-.054 (.199)	-.178 (.142)	-.178 (.142)	-.017 (.137)	.013 (.138)	-.158 (.187)	.015 (.137)	.002 (.137)
Unionization	-.005 (.038)	-.007 (.038)	.019 (.051)	-.005 (.038)	-.007 (.038)	.055 (.037)	.055 (.036)	.048 (.048)	.057 (.036)	.055 (.036)
HPWP	.042*** (.004)	.042*** (.004)	.051*** (.006)	.044*** (.004)	.042*** (.004)	.043*** (.004)	.044*** (.004)	.048*** (.005)	.045*** (.004)	.044*** (.004)
Export intensity	-.005 (.013)	-.005 (.013)	.011 (.018)	-.004 (.013)	-.005 (.013)	-.001 (.013)	.000 (.013)	-.008 (.017)	.000 (.013)	-.002 (.013)
Internationalization	.011 (.027)	.009 (.027)	-.056 (.037)	.007 (.027)	.010 (.027)	.047* (.026)	.045* (.026)	.011 (.035)	.043* (.026)	.045* (.026)
Year FE	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>
Industry FE	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>
Firm FE	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>	<i>Included</i>
Multiculturalism (M)		.020*** (.008)	-.012 (.019)	.017** (.008)	.021** (.009)		.019*** (.007)	-.006 (.018)	.016** (.007)	.009 (.008)
CE of TMT (CE ^a)			-.169 (.127)					-.080 (.119)		
M*CE			-.002 (.054)					.120** (.058)		
Foreign language (FL)				-.010 (.033)					-.016 (.032)	
M*FL				.085*** (.030)					.085*** (.029)	
CQ promoting practice (CQPP)					.001 (.005)					.003 (.005)
M*CQPP					.000 (.003)					.007** (.003)
Observations	1471	1471	875	1471	1471	1469	1469	873	1469	1469

Standard errors are in parentheses

Note: a) CE: cultural experience

*** $p < .01$, ** $p < .05$, * $p < .1$