



From knowledge transfer to learning: The acquisition and assimilation of human capital in the United Arab Emirates and the other Gulf States

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ABSTRACT

This paper examines efforts by the United Arab Emirates and the other Arab Gulf States to use their oil wealth to “import” the human capital necessary to diversify their economies beyond oil. It explores how new forms of development capacity, necessary to create and sustain new industries in the Gulf, are acquired in the context of a global labor market. By studying the circulation and absorption of global human capital in the Gulf, this paper seeks to move beyond the focus on how institutions render flows of knowledge transferable or not. Instead, it emphasizes the ways in which institutions shape the ability of a place to assimilate and integrate foreign knowledge locally. This is accomplished by presenting results from surveys conducted with 300 foreign and local firms from throughout the Gulf region and key-informant interviews undertaken with 30 representatives of firms in Abu Dhabi and Dubai, United Arab Emirates. The results indicate that Gulf strategies to attract international investment, trade and migration have succeeded. These efforts, however, have not been accompanied by social integration mechanisms for the assimilation of external knowledge. Expatriate workers and foreign firms adapt their knowledge transactions for application to the region’s unique business and regulatory environments. Once in its localized form, this knowledge circulates within bounded, expatriate social spaces. These results, however, vary across key industries and locations. The key exception is found in the region’s financial sector, where local employment quotas have mandated high levels of learning via foreign–local interaction, and where locally embedded, personal relationships are the most valued asset a knowledge-worker can possess.

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1. Introduction

Can places attract and utilize global human capital and foreign knowledge through migration, trade, and investment as means to generate local development capacity? Geographers have argued that – more than merely a factor of production which can purchased, imported or transplanted – knowledge is situated in particular places and institutional contexts (Amin and Cohendet, 2004). In contrast to material resources or physical products, knowledge is difficult to transfer to other actors and places: it is generated in and limited to the social spaces where it is being used (Bathelt and Gluckler, 2005). While these approaches tell us a great deal about the spatial and institutional determinants of knowledge transfer, they tell us less about the issue of receptivity (Morgan, 1997), and the ways in which place-specific learning institutions shape the ability of a place to absorb, assimilate and integrate global knowledge in a local context. This paper seeks to fill that gap.

Fueled by the post-1998 oil boom, the oil-abundant, labor-deficient United Arab Emirates (UAE) and the other Arab Gulf States (Bahrain, Kuwait, Oman, Qatar and Saudi Arabia), have

undertaken spectacular efforts to create new, global hubs for services and for capital- and energy-intensive industries, deploying their oil wealth to buy, rent and import diversified, non-oil development capacity. Yet, despite representing some of the wealthiest countries in the world, these states face a unique human capital barrier to economic transition: a reliance on foreign knowledge for economic growth. In stark contrast to its local demographic and employment dilemmas, the Gulf’s ambitious post-industrial development plans have stimulated a powerful new demand for expatriates to fill related skill and technology gaps. This challenge illustrates the distinction between the mobilization and attraction of knowledge, on the one hand, and the absorption and assimilation of knowledge, on the other. First, the Gulf States have sought to leverage their ability to attract foreign labor, knowledge and technology, learned through oil development, as a basis on which to construct a new competitive advantage. Second, the region’s governments have sought to ensure that new industries are able to generate local revenue, create greater employment opportunities for local citizens, and allow the region to reduce its reliance on skilled expatriates in key industries and occupations.

The Gulf countries have successfully acquired state-of-the-art business models, industrial knowledge and technological

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capabilities, but what happens to this global human capital once it is imported? Existing approaches to the geographies of knowledge have examined the determinants and spatial dimensions of knowledge transfer between and across firms, places and individuals. For the most part, geographers have focused on the ways in which institutions can help or hinder the transfer of particular forms of knowledge across space, rendering these flows transferable or non-transferable, decipherable or indecipherable (Gertler and Vinodrai, 2005). Can knowledge be attracted or mobilized without being transferred, or exchanged or transferred between firms without being absorbed and integrated within a place? This paper takes a somewhat different approach, by shifting the emphasis from the *transmission* of knowledge by firms and the institutional determinants of *knowledge transfer* to the *reception* of knowledge by places and the institutional determinants of *learning*. In particular, it emphasizes the ways in which territorial learning institutions, infrastructures and conventions shape the ability of a place to absorb and integrate external knowledge.

There is a significant body of literature on the spatial dimensions of technological learning, describing the importance of localized learning or identifying the ensemble of institutions which comprise territorial innovation systems (e.g. Bunnell and Coe, 2001; Malmberg and Maskell, 2006). Yet, the focus is on explaining successful learning outcomes in a place after external knowledge has already been introduced, emphasizing the beneficial role of institutions in that place to explain the presence of learning economies. This paper instead examines the ways in which place-specific institutional contexts shape and mediate the processes that allow learning in the first place, before external knowledge is introduced, as well as the ways in which institutions can prohibit learning.

By studying the circulation of foreign knowledge in the Gulf, embodied in expatriate knowledge workers and foreign firms, this research seeks to capture the ways in which particular learning contexts condition the transfer of knowledge by foreign participants and the assimilation of this knowledge by local firms and workers. I argue that the degree to which local learning results from the import of foreign knowledge is a function of a place's *absorptive capacity*. Most generally, this is comprised of the stock of existing human capital and the level of complementarity between new, external knowledge and the existing, local knowledge base. This paper builds on a deeper conceptualization of absorptive capacity by incorporating the role of *formal learning institutions*, such as labor market and employment structures and education and training systems, as well as *informal institutions and conventions*, such as cultures of work and ways of doing business. In particular, it emphasizes the role of *social mechanisms for the integration of external knowledge*, which shape the level and quality of social interaction between global knowledge flows and local human capital stocks.

The results indicate that while the Gulf has succeeded in attracting global knowledge flows and in ensuring high levels of knowledge creation and exchange among foreign firms and expatriate workers, the region has been less successful in ensuring that this knowledge is assimilated and integrated by local workers. This is attributed, firstly, to the Gulf's formal institutional context. Formal learning institutions shape the availability of foreign workers to fill these skill and labor gaps in emerging sectors, as well as the employment and education preferences of local workers. Regulatory structures and incentives that condition the entry and activities of foreign firms play a key role as well, making the Gulf an attractive destination for global knowledge flows, but not stipulating structured knowledge transfer arrangements or local employment or training provisions. Secondly, it reflects the region's informal institutional context, and the ways in which the Gulf's entrenched ways of doing business and cultures of work

shapes the knowledge sourcing practices and preferences of foreign and local firms. As firms formulate strategies in order to adapt to this unique cultural and economic setting, they ultimately reproduce existing human capital distortions. This informal institutional context also serves as a disincentive for social interaction between local and expatriate workers, thus inhibiting the interactive, experience-based learning necessary for tacit knowledge absorption.

This paper employs a mixed-methods approach, based on a human capital survey of 300 foreign and local firms from throughout the region, and key-informant interviews with survey participants at UAE firms. The remainder of this paper is organized as follows. The next section reviews the current literature on the geographies of knowledge and the institutional dimensions of learning. Section 3 describes the Gulf historical context, placing this context within the literature on knowledge and learning. The methodology comprises Section 4. Section 5 presents the results of the survey, while Sections 6 and 7 each analyzes data collected from key-informant interviews. Section 6 examines the broader determinants of knowledge circulation, transfer and learning, while Section 7 focuses on industry-specific dynamics, particularly in the financial sector. The conclusions of the study are presented in Section 8.

2. Literature review

Geographers have held a longstanding interest in the creation, transfer and absorption of knowledge across space (Hughes, 2007). This section begins by reviewing the contributions and limitations of existing literature on the spatial dimensions of knowledge transfer and exchange, and continues by examining the institutional determinants of the geography of knowledge and learning. The section concludes by extending and amplifying these existing approaches to move towards a new interpretation of learning which focuses, firstly, on the ways in which a place's unique institutional context conditions the assimilation and integration of external knowledge, and secondly, on the ways in which the characteristics of a place's institutional context can prevent successful learning.

2.1. Spatial dimensions of knowledge transmission

As the production process has become more complex and internationalized, human capital (manifested in knowledge, innovation and entrepreneurship) is now emphasized over natural or physical capital as the primary determinant of place and firm competitiveness. This has prompted a large body of geographic literature on the spatial dimensions of knowledge transmission by firms and individuals, and the role of places in helping or hindering this transmission. In particular, geographers have sought to understand the conditions under which knowledge is transferable across space, or conversely, the conditions under which it is territorially bounded (Williams et al., 2004).

2.1.1. Spatial proximity

Certain forms of knowledge are more difficult than others to transfer across space (Gertler, 2003). While knowledge transmission may occur at a variety of scales, the absorption and transfer of tacit knowledge tends to be a significantly more localized process, requiring some form of co-presence or co-learning between the knowledge holder and recipient (Williams, 2007; Williams and Baláz, 2008). This is because tacit knowledge is collective in form, stored within informal institutions of language, conventions and ways of doing business; these are shared practices which vary from place to place (Lundvall, 1992; Malecki, 2010). *Spatial proximity* thus facilitates the exchange of tacit knowledge between actors

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