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**Drivers and Barriers to Effective Knowledge  
Sharing between MNC Subunits in  
Central Eastern Europe**

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*The way up the top of the mountain is always longer than you think.*

*(Paolo Coelho)*

*I would like to express special thanks to my advisor, Michał Lemanski.*

*– Michał, dziękuję Ci za Twoją cierpliwość, pomoc i poświęcony mi czas. Trudno wyobrazić  
sobie lepszego promotora niż Ty!*

# TABLE OF CONTENTS

<i>List of Figures</i> .....	<i>iii</i>
<i>List of Tables</i> .....	<i>iii</i>
<i>Preface</i> .....	<i>iv</i>
<b>1. Theoretical Framework</b> .....	<b>1</b>
<b>1.1. Definitions</b> .....	<b>1</b>
1.1.1. Multinational Company or Corporation.....	1
1.1.2. Subunit.....	2
1.1.3. Organizational Knowledge .....	2
1.1.4. Knowledge Flows or Transfer .....	2
<b>1.2. Research on Organizational Knowledge – An Overview</b> .....	<b>3</b>
1.2.1. Inter-Partner Learning Theories by Hamel.....	3
1.2.2. The Threat of Imitation – Kogut & Zander.....	4
1.2.3. The N-Form Organization – Hedlund .....	6
1.2.4. A Questioning of Hierarchy – Grant .....	7
1.2.5. The Importance of Reciprocity – Schulz .....	9
<b>1.3. Drivers and Barriers to Knowledge Transfer</b> .....	<b>10</b>
1.3.1. Knowledge Ambiguity .....	11
1.3.2. Absorptive Capacity .....	12
1.3.3. Stickiness.....	13
1.3.4. Relevance .....	15
1.3.5. Culture & Language .....	16
1.3.5.1. The Importance of Corporate Culture .....	20
1.3.5.2. Making Corporate Use of Cultural Differences – Expatriation .....	21
1.3.5.3. Culture Measures .....	23
1.3.6. Interpersonal Relationships .....	31
1.3.7. Network Position .....	34
1.3.7.1. Embeddedness .....	36
1.3.7.2. Knowledge & Power .....	39
1.3.7.3. The Micro and Macro Perspective.....	39
1.3.8. Subsidiary-specific Characteristics & The Role of Headquarters .....	40
1.3.9. Organizational Forgetting.....	43

1.3.10.	Capabilities of the Metanational Organization .....	44
1.3.11.	Making Effectiveness an Issue in Knowledge Transfer Research .....	47
1.3.12.	Critical Notes on Contemporary Literature on Knowledge .....	50
1.3.13.	Summarizing & Concluding Remarks on Literature Review .....	53
<b>2.</b>	<b><i>Effectiveness of Knowledge Transfers between MNC Subunits in Central Eastern Europe – A case study</i></b> .....	<b>56</b>
<b>2.1.</b>	<b>Research Design and Method</b> .....	<b>56</b>
2.1.1.	Research Strategy .....	56
2.1.2.	The Company .....	59
2.1.3.	The Changing Role of HR .....	59
2.1.4.	Culture’s Influence – Hofstede’s Country Scores .....	60
2.1.5.	A Model of Knowledge Transfer in MNCs .....	61
2.1.6.	Questionnaire Design .....	64
2.1.7.	Interview Setting & Information on Sample .....	65
<b>2.2.</b>	<b>Results and Discussion</b> .....	<b>67</b>
2.2.1.	Interview Results .....	67
2.2.2.	A Comparison of Results .....	76
2.2.3.	Cultural Interpretations following Hofstede (2001) .....	80
<b>2.3.</b>	<b>Conclusion, Limitations and Implications</b> .....	<b>84</b>
	<b><i>References</i></b> .....	<b>90</b>
	<b><i>Appendix</i></b> .....	<b>98</b>
	<b>Interview Guide – Subsidiaries</b> .....	<b>98</b>
	<b>Interview Guide – Regional Headquarters</b> .....	<b>102</b>
	<b>Interview Results – Subsidiaries</b> .....	<b>108</b>
	<b>Interview Results – Regional Headquarters</b> .....	<b>109</b>

## List of Figures

FIGURE 1: GROWTH OF KNOWLEDGE OF THE FIRM.....	5
FIGURE 2: A MODEL OF KNOWLEDGE CATEGORIES AND TRANSFORMATION PROCESSES: TYPE OF KNOWLEDGE. ....	6
FIGURE 3: POSSIBLE SUCCESS CRITERIA FOR INTERNATIONAL ASSIGNMENTS .....	22
FIGURE 4: KOGUT & SINGH CULTURAL DISTANCE INDEX .....	27
FIGURE 5: A CULTURAL MAP OF THE WORLD. ....	31
FIGURE 6: BARRIERS TO KNOWLEDGE TRANSFER.....	35
FIGURE 7: SIMILARITY-INDUCED AND COMPLEMENTARITY-INDUCED LEARNING IN THE MNC	38
FIGURE 8: VARIATIONS IN SUBSIDIARY STRATEGIC CONTEXTS: A KNOWLEDGE FLOWS-BASED FRAMEWORK .....	40
FIGURE 9: FORMS OF ORGANIZATIONAL FORGETTING .....	44
FIGURE 10: KNOWLEDGE COMPLEXITY .....	46
FIGURE 11: TRANSITION EQUATIONS .....	51
FIGURE 12: A MODEL OF DISCONTINUOUS KNOWLEDGE FLOW .....	52
FIGURE 13: A MODEL OF KNOWLEDGE TRANSFER .....	62
FIGURE 14: MODES OF THE KNOWLEDGE CREATION .....	63
FIGURE 15: KNOWLEDGE TRANSFER PATTERNS .....	86

## List of Tables

TABLE 1: GLOBE CULTURAL DIMENSIONS CHARACTERISTICS.....	26
TABLE 2: CROSS-CULTURAL COMMUNICATION ON THE BASIS OF GLOBE CULTURAL DIMENSIONS.....	27
TABLE 3: DESCRIPTION OF VARIABLES USED IN KOGUT & SINGH INDEX.....	28
TABLE 4: SIX CAPABILITIES THE METANATIONAL WILL NEED TO BUILD.....	45
TABLE 5: HOFSTEDE'S (2001) CULTURAL DIMENSIONS – SCORES FOR 6 COUNTRIES .....	61
TABLE 6: CHARACTERISTICS OF SAMPLE.....	67

## **Preface**

*“The more we know, the more we know what we don’t know.” (Albert Einstein)*

An indicator for the rising importance and relevance of managing organizational knowledge is the constantly growing body of literature in this area when looking over the last decades.

A Viennese (Hayek, 1945; 1989) was among the ones who discovered the potential that lies in an organization when considering knowledge as a competitive advantage. Since that time, many scholars have followed presenting a variety of theories and models. Discussions arose of what constitutes the knowledge-based view of the firm (Conner & Prahalad, 1996; Kogut & Zander, 1996; Foss, 1996) – commented, criticized, adapted and changed over time.

The purpose of this thesis is twofold. First, a theoretical framework shall be established allowing an insight into the extraordinary amount of literature on organizational knowledge. Second, a case study will be conducted allowing an insight into real-life practices and means of knowledge sharing used in a big multinational organization.

Starting with literature on organizational knowledge, some basic principles and common understandings shall be established. Identifying the threat of imitation (Kogut & Zander, 1992), the importance of reciprocity (Schulz, 2001) and the shift from hierarchy to heterarchy (Grant, 1996); these authors have laid important groundwork when it comes to organizational knowledge. After that, focus will be narrowed down to a smaller unit of analysis – what exactly impedes and drives knowledge transfer. The work of a great number of scholars will be presented in this section, closing with critical views and concluding remarks by the author.

The empirical part of this thesis consists of a case study. Concentrating on what influences the effectiveness of knowledge transfers, a qualitative study was conducted at a large German multinational company with regional headquarters in Vienna. Three managers from the regional headquarters together with two subsidiary managers, one each from The Czech Republic and Hungary, will form the sample. A

focus on HR departments in the Central Eastern European region presents a highly relevant topic to be scrutinized.

A qualitative study using a model developed by Ambos (née Chini, 2004) will be conducted showing results from three different viewpoints. Findings will be generally reported, compared to previous results and culturally assessed. The aim of the study is to investigate knowledge flows within the MNC and compare subsidiary's and regional headquarters' perceptions. A variety of implications for managers will be presented in the conclusion of this thesis.

My personal motivation towards this topic is due to the fact that I have grown up between two countries of the Central Eastern European region – Austria and Poland – and my family is scattered across them in equal parts. Communication has always been an issue and if I were not able to speak both languages I wonder how well I would be able to communicate within my family. And language is just one of the many differences between Austria and Poland.

Encountering problems like these on a personal level, I started to wonder how companies that operate in a multicultural environment, where success might depend on an effective knowledge transfer, manage this challenge.

## **1. Theoretical Framework**

The theoretical framework was built on thirty articles published in five renowned scientific journals (Journal of International Business Studies, Organization Science, Strategic Management Journal, Academy of Management Review and International Business Review). This initial literature backbone was continuously expanded and updated in the course of writing which lead to a thorough overview of the existing body of knowledge in the field of organizational knowledge transfer.

The literature review is structured into three subsections – first, underlying key terms will be defined, second, an overview of research on organizational learning will be established and the third part consists of a review of a number of concepts and theories by various scholars on drivers and barriers for knowledge transfers. A summarizing and concluding remark by the author will represent the end of the theoretical part.

### **1.1. Definitions**

#### **1.1.1. Multinational Company or Corporation**

The following definition can be found in the International Encyclopedia of Business and Management: “Multinational corporations (MNCs), alternatively known as multinational enterprises, international corporations or transnational corporations owing and controlling production or other value-adding facilities in several countries. More generally, the term is used to refer to global chains of affiliated companies managed and controlled from a headquarters located in a specific country” (Warner, 1996).

Since this is a very broad and neutral definition, I would like to add the definitions of some scholars working in the field of organizational knowledge transfer. According to Gupta & Govindarajan (1991: 770) the MNC is a “network of capital, product and knowledge transaction among units located in different countries”. The competitive advantage for a MNC manifests itself in the “ability to facilitate and manage inter-subsidiary transfer of knowledge” (Minbaeva et al., 2003: 587). Kogut & Zander (1991: 384) also believe that “the central competitive dimension of what firms know how to do is to create and transfer

knowledge efficiently within an organizational context”. Schulz (2001: 661) summarizes this, seeing organizations as “vehicles for producing, transferring and combining knowledge”. Almeida et al. (2002: 148) view the MNC “as an international network that creates, accesses, integrates, and applies knowledge in multiple locations”. I will use Gupta & Govindarajan’s (1991) definition below.

### **1.1.2. Subunit**

The Blackwell Encyclopedic Dictionary of Organizational Behavior defines a subunit “[...] a supervisor and all subordinates who report to that supervisor. Subunits from an intermediate level of analysis, falling between individuals and the total organization, and are the building blocks of more complex organizations. The configuring of subunits into larger entities is referred to as Organization Design” (Nicholson, 1995). Andersson (1996: 487) sees the MNC “composed of a set of differentiated structures and processes, each of which existing in one of the subunits of the organization”.

I define a subunit as any value-adding unit within the MNC that acknowledges corporate headquarters as a higher-ranking entity within the framework of the MNC. This includes regional headquarters and subsidiaries.

### **1.1.3. Organizational Knowledge**

This thesis focuses on organizational knowledge as opposed to personal knowledge. Organizational knowledge “refers to knowledge and information held by an organization that all, part, or parts of the organization share and that is frequently stored in standard operating procedures, routines, or rules” (Schulz 2001: 662). More specifically: “Organizational knowledge extends beyond scientific and technical knowledge to embrace every function of the firm and the whole range of managerial and operational processes with the implication that know-how is generated in all productive activities” (Almeida et al, 2002: 148).

### **1.1.4. Knowledge Flows or Transfer**

Gupta & Govindarajan (1994) define knowledge flows as a “transfer of skills and technology between organizational subunits”, Szulanski (1996) sees knowledge flows simply as the “transfer of business practices” and Schulz (2001) refers to

knowledge flows as “the aggregate volume of know-how and information transmitted per unit of time”. Another definition put forth by Easterby-Smith et al. (2008: 677) defines knowledge transfer as “an event through which one organization learns from the experience of another”.

Furthermore, there exist different types of knowledge flows that need to be specified. There are horizontal and vertical knowledge flows, as well as inflows and outflows of knowledge. A horizontal knowledge flow occurs between subunits, meaning they both operate on the same level within the organization. A vertical knowledge flow takes place between subunits and headquarters stressing the different levels in the organization. Inflows and outflows depend on the viewpoint, meaning if knowledge flows into or out of the organizational unit.

## ***1.2. Research on Organizational Knowledge – An Overview***

When looking at organizational knowledge, some scholars have shaped the field to an important extent like Gunnar Hedlund, Gary Hamel, Robert M. Grant, Martin Schulz, Bruce Kogut and Udo Zander, to name just a few. In the following section I will review some of the milestones when it comes to organizational knowledge in order to provide an overview of the theories and models developed by the authors mentioned above.

I will start with Hamel’s (1991) Inter-Partner Learning Theories, then I will scrutinize Hedlund’s (1994) N-Form Corporation, after that, I will explain Kogut & Zander’s (1992) notion of imitation as a threat to knowledge transfer, following Grant’s (1996) questioning of hierarchy. I will conclude this section with Schulz’s (2001) understanding of the importance of reciprocity.

### **1.2.1. Inter-Partner Learning Theories by Hamel**

Hamel (1991) presents a full theoretical framework of inter-partner learning methods which includes some interesting organizational learning aspects that can be transferred to inter-unit knowledge sharing.

He studied learning between partners in strategic alliances which is often characterized by the challenge of balancing differing goals and heavy competition paired with the threat of creating a future competitor. I believe that these issues can be transferred to a certain extent to subsidiaries trying to

outdo each other in terms of success measures while still being part of the same MNC and pursuing the same overall goals.

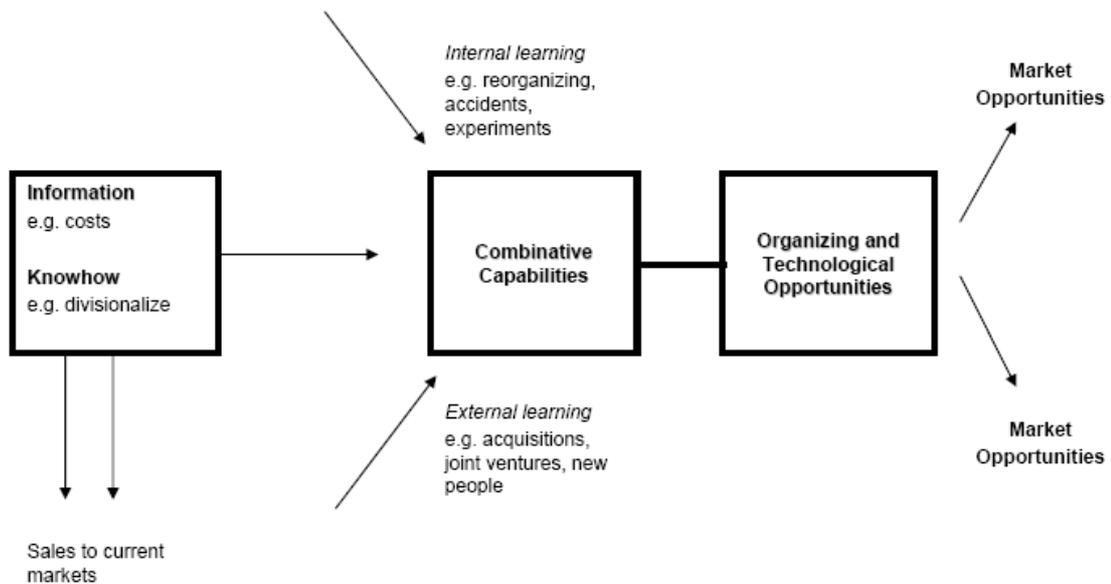
Hamel's (1991) theory consists of six items, which I will name and describe shortly hereafter.

- 1.) *Competitive collaboration* describes the earlier mentioned threat of turning an ally into a competitor which happens when two actors look for different things in a partnership.
- 2.) *Learning and bargaining power* refers to staying "attractive" to the partner in terms of knowledge to offer and keeping up in the race of learning.
- 3.) *Intent as a determinant of learning* stresses the importance of willingness to learn.
- 4.) *Transparency as a determinant of learning* describes the relevance of trust and the importance of an absence of "unfairness" among partners.
- 5.) *Receptivity as a determinant of learning* can be understood as absorptiveness of the receptor and is strongly influenced by the point in time when the partnership is entered.
- 6.) *The determinants of sustainable learning* describe the goal of creating independence within the learning partnership and being able to autonomously and consecutively improve acquired skills.

Furthermore, Hamel (1991: 100) includes notions of bargaining power as a "function of who needs whom the most" and the allegory of a "collaborative membrane" through which knowledge is exchanged and which directions of being permeable are being determined by relative learning between partners.

### **1.2.2. The Threat of Imitation – Kogut & Zander**

Kogut and Zander (1992) identify one major paradox when it comes to knowledge transfer: The faster knowledge is transferred owing to better codification and simplification, the easier it can be imitated by others. They divide organizational knowledge into information based and know-how based knowledge and introduce the concept of *Combinative Capability*.



**Figure 1: Growth of Knowledge of the Firm  
(Kogut & Zander, 1992: 385)**

Figure 1 provides an outline of Kogut & Zander's (1992) theory. The authors start by analyzing the knowledge of the firm within the before stated two aspects – *Information* and *Know-how*. Recombination of this knowledge is facilitated by external and internal learning which bears the limitation to the development of new skills in *Organizing and Technological Opportunities* that will be outdated at some point creating room for further knowledge production which results in *Market Opportunities* (Kogut & Zander, 1992: 385).

The earlier mentioned paradox of replication identified by Kogut & Zander (1992: 390) describes that “[...] firms may desire to codify and simplify such knowledge as to be accessible to the wider organization, as well as to external users. [...] such a translation rarely occurs without a transformation in the nature of knowledge” (Kogut & Zander, 1992: 390). Furthermore, they distinguish between know-how and know-why and use an interesting example – a language may be easily learned in terms of vocabulary but actual use such as grammar and certain expressions are much harder to learn (Kogut & Zander, 1992: 390).

Kogut & Zander (1992: 393) believe that “[t]he growth of the firm is determined by a combination of the speed of technology transfers and of the imitative efforts of rivals”, so when companies need to manage competition in terms of reverse engineering, a balance between short-term and long-term considerations might be crucial. Short-term factors are described in the

question: “at what speed and cost can a firm replicate its current technology and imitate others” – long-term considerations involve “a complex tradeoff between current profitability and investing in future capability” (Kogut & Zander, 1992: 393).

Kogut & Zander (1992) use the example of a make-buy decision of the firm to illustrate this point. They identify three factors this decision should be based on: “how good a firm is at doing something, how good it is at learning specific capabilities and the value of these capabilities as platforms into new markets” (Kogut & Zander, 1992: 395). Furthermore, they note that many decisions inside a firm do not entail a make-buy decision because they are an extension or combination of already existing knowledge and see investments in new knowledge often as a trial-and-error learning situation (Kogut & Zander, 1992: 395).

### 1.2.3. The N-Form Organization – Hedlund

In an attempt to improve knowledge transfer in MNCs, Hedlund (1994) suggests an alternative model of knowledge management abandoning the widely spread “M-Form” or hierarchical model of the MNC and introduces the “N-Form”.

Hedlund (1994) distinguishes between tacit and articulated knowledge and between four different levels – individual, small group, organization and inter-organizational unit. The eight types of knowledge derived from interplays between these factors can be seen in Figure 2.

	Individual	Group	Organization	Interorganizational Domain
<b>ARTICULATED KNOWLEDGE/ INFORMATION</b> <i>Cognitive Skills Embodied</i>	Knowing calculus	Quality circle's documented analysis of the performance	Organization chart	Supplier's patents and documented practices
<b>TACIT KNOWLEDGE/ INFORMATION</b> <i>Cognitive Skills Embodied</i>	Cross-cultural negotiation skills	Team coordination in complex work	Corporate culture	Customers' attitudes to products and expectations

Figure 2: A model of knowledge categories and transformation processes: Type of knowledge.

Adapted from Hedlund and Nonaka, 1993. (Hedlund, 1994: 75)

Hedlund (1994: 75-76) distinguishes between three aspects of knowledge – “cognitive knowledge in the form of mental constructs and precepts, skills, and knowledge embodied in products, well-defined services or artifacts”. He makes a difference between the processes of articulation of knowledge, internalization, extension and assimilation/dissemination of knowledge.

The main themes of the “N-form Corporation” can be expressed in six points:

- 1.) Combination of knowledge instead of division
- 2.) Temporary constellations of people rather than permanent structures
- 3.) Importance of middle level personnel over top level managers
- 4.) Lateral instead of vertical communication
- 5.) Top management acting as a catalyst of knowledge rather than just monitoring and allocating
- 6.) Focus on high-potential fields instead of diversification

Furthermore, Hedlund (1994) stresses the ability of his model to address differences in cultural contexts. The main characteristics of the presented model indicate a shift from hierarchy to more network-like structures. Hedlund (1994: 87) believes the challenge for companies lies in “[the positioning of] the company so that new tasks can be initiated, often on the basis of a combination of separate knowledge pieces from different organizational units”.

#### **1.2.4. A Questioning of Hierarchy – Grant**

Grant (1996) summarizes five characteristics that are important in order for a company to create value through making use of knowledge: *transferability*, *capacity for aggregation*, *appropriability*, *specialization in knowledge acquisition*, and *knowledge requirements of production*. He translates the two epistemological distinctions of knowledge – “knowing how” with tacit knowledge and “knowing about” with explicit knowledge – as the “critical distinction between the two lies in transferability” (Grant, 1996: 111). Furthermore, he identifies the capacity for aggregation, meaning “the ability to transfer and aggregate knowledge” as “a key determinant of the optimal location of decision-making authority within the firm” (Grant, 1996: 111). Grant (1996) views knowledge as inappropriable, which means it is not possible for the owner of the resource to receive a return equal to the value created by the resource, because of the relative lack of legal protection and definition of ownership of

knowledge in general – “most explicit knowledge and all tacit knowledge is stored within individuals, much of this knowledge is created within the firm and is firm specific” (Grant, 1996: 111). The last two characteristics – specialization in knowledge acquisition and knowledge requirements of production – refer to capacity of the human brain in terms of knowledge acquisition, storage and, processing and the theory that machines are embodiments of knowledge as a result of human productivity.

Grant’s (1996: 112) view of the firm focuses on two assumptions: “knowledge is an individual activity” and “the primary role of firms is in the application of existing knowledge to the production of goods and services”.

He sees the key to an effective knowledge transfer in the integration of knowledge. Achieving integration is not an easy task for firms but there are four mechanisms for integrating knowledge that can be used: *rules and directives*, which provide an easy way of communicating tacit knowledge into understandable explicit knowledge; *sequencing* is a simple form of integrating specialist knowledge with the help of assigned time slots; *routines* provide the “ability to support complex patterns of interactions between individuals in the absence of rules, directives, or even significant verbal communication” (Grant, 1996: 115) and the fourth mechanism is *group problem solving and decision making*.

Grant (1996) argues that all these mechanisms depend on the existence of common knowledge which again is dependent on the existence of a common language or another form of symbolic communication, the commonality of a specialized knowledge, a shared meaning and the recognition of individual knowledge by each team member. The higher the level of common knowledge within a team, the more efficient the integration, hence effective knowledge transfer exists. This explains the trend towards cross-training of employees as opposed to deepening specialist knowledge.

In terms of organizational structure, Grant (1996) identifies two major implications, one for the role of hierarchy and one for the location of decision making. Western hierarchies try to address the problems of coordination and cooperation, however, the problem with hierarchies is that while in meetings normally only the heads of departments are present, they might not be the ones where the bulk of the knowledge needed for the decision is stored. Grant (1996:

118) points out that “when [...] tacit knowledge cannot be transferred upwards, then coordination by hierarchy is inefficient”. As a solution to this problem he proposes teams with “fluid membership”, where a specialist can be called whenever needed. This could result in employees having multiple organizational roles which involve membership in multiple teams (Grant, 1996: 119). The second implication identified by Grant (1996) is decision making. He argues that the “quality of decisions depends upon their being based upon relevant knowledge” (Grant, 1996: 119). A suggested solution is to match the mode of decision-making to the nature of knowledge required. Grant (1996: 119) proposes taking decisions decentralized when tacit and idiosyncratic knowledge is involved, while centralized when explicit knowledge is required.

Grant (1996) argues that the knowledge-based view of the firm offers an explanation to various recent trends observed in organizations such as changing organizational structures through layering and empowerment, and horizontal and team-based organizational forms as well as inter-firm alliances (Grant, 1996: 120). According to Grant (1996) the common organizational problem in all types of social organization is cooperation. The fact that every individual is acting upon their own goals and reconciling these is the challenge organizations are faced with if they want to act in line with the knowledge-based view of the firm.

#### **1.2.5. The Importance of Reciprocity – Schulz**

Martin Schulz (2001: 661) sees “the main challenge to organizations [...] as producing and processing knowledge”. He identifies three processes that provide the theoretical framework of his work. *Exploration* is the process that deals with the production of new knowledge to the organization. This process can be summarized by the “relevance discovery process” (Schulz, 2001: 664). First, new knowledge is being exposed to old knowledge – it is distributed to organizational audiences who then decide if the knowledge can be used for their work and incorporate it if this can be positively answered. In the beginning, there is a rather high uncertainty which declines over time as the knowledge loses its newness. Schulz (2001) also talks about push and pull forces that come along with new knowledge. A pull force is the demand for knowledge from potential recipients, whereas push forces would be various performance

measures regarding the impact of the new knowledge. *Codification* or simply *Encoding*, the second process, describes the transformation of “local knowledge into organization-level knowledge” (Schulz, 2001: 665). Schulz (2001) also talks about the difference between tacitness and explicitness of knowledge which has a large impact on the ease of communication. Tacit knowledge is more difficult to express whereas explicit knowledge can be easier communicated. In general, it can be said that codification facilitates the way knowledge is being transferred between subunits. The third process, *Exploitation* deals with recombining old knowledge. Generating new knowledge from old knowledge has some advantages as opposed to creating entirely new knowledge – it is “usually more settled and less diverse [...]” (Schulz, 2001: 665), “more incremental” (Dewar & Dutton, 1986), “more routine and more pertinent to the operations of the subunits involved” (Schulz, 2001: 665). This knowledge combination process consists of various actions. Hargadon & Sutton (1997) came up with the term “brokering”, meaning that “[a]rea experts within subunits act as knowledge brokers when they import knowledge, combine it, and provide it to other units [...]” (Schulz, 2001: 665). Reciprocating is regarded as a related process to that and “suggests that knowledge domains send additional knowledge in return for knowledge received and less knowledge when their knowledge transmissions to other units are not reciprocated” (Schulz, 2001: 666). However, there is also a limiting process to that – learning substitution, which is defined as “different learning locales or mechanisms [that] are substitutes for each other” (Levinthal & March, 1993: 99). If, for example, unit A specializes in one knowledge area and therefore makes it obsolete for unit B to engage in learning and knowledge production in that area, this reduces knowledge outflows from unit B (Schulz, 2001: 666).

Furthermore Schulz develops a “pull” model of information which says that “organizational subunits are seen less as producers of information [...] than as producers of a lack of information” (Schulz, 2001: 663).

### **1.3. Drivers and Barriers to Knowledge Transfer**

After this broad overview of some milestones in the organizational knowledge literature, I will refine my research to what drives and impedes knowledge transfer in multinational corporations. A great number of scholars have focused

their research on this field and I will provide a comprehensive outline of their theories, models, and findings hereafter. This outline includes knowledge ambiguity, absorptive capacity, stickiness, relevance, culture and language, interpersonal relationships, network position, subsidiary-specific characteristics and the role of headquarters (HQ), the concept of organizational forgetting and the metanational organization. Furthermore, I will review the work of several scholars who dealt with knowledge transfer effectiveness. A critical note on contemporary literature and some concluding remarks by the author can be found towards the end of this section.

### **1.3.1. Knowledge Ambiguity**

The causally ambiguous nature of knowledge represents a major barrier to knowledge transfer (Simonin, 1999: 595). Simonin (1999) sheds some light into what constitutes ambiguity and identifies five factors – tacitness, complexity, experience, cultural distance, and organizational distance.

Nonaka (1994: 16) characterizes tacit knowledge as having “a personal quality, which makes it hard to formalize and communicate. Tacit knowledge is deeply rooted in action, commitment, and involvement in a specific context”. Simonin (1999: 599) believes *tacitness* is a “source of destabilization” which can result in difficulty and frustration in learning.

*Complexity* is defined by “the number of inter-dependent technologies, routines, individuals, and resources linked to a particular knowledge or asset” (Simonin, 1999: 600).

*Experience*, in this context, can be interpreted as the prior experience of the knowledge receiving unit. Simonin (1999: 601) argues that “prior experience with a given asset or knowledge base predetermines the level of familiarity and comfort with both, information content and context, and thus favors the transferability of knowledge”.

*Cultural distance* includes communication barriers concerning language proficiency as well as other more subtle cultural differences among parties involved in the knowledge transfer.

As opposed to cultural distance, *organizational distance* refers to “the degree of dissimilarity between the partners’ business practices, institutional heritage, and organizational culture” (Simonin, 1999: 603). Consequently, it should to be born

in mind that this factor can be regarded more relevant when looking at knowledge transfers between MNCs rather than within.

Although the author identified these antecedents of knowledge ambiguity in strategic alliances, I believe the results are equally important for knowledge transfers within MNCs.

### **1.3.2. Absorptive Capacity**

The concept of absorptive capacity was first introduced by Cohen & Levinthal (1990). It can be defined as “prior related knowledge [that] confers an ability to recognize the value of new information, assimilate it, and apply it to commercial ends” (Cohen & Levinthal, 1990: 128).

When explaining this concept, the authors resort to research on memory development which suggests that “accumulated prior knowledge increases both the ability to put new knowledge into memory, what we would refer to as the acquisition of knowledge, and the ability to recall and use it” (Cohen & Levinthal, 1990: 129). In an organizational context absorptive capacity refers not just to the acquisition of knowledge but especially to its ability to exploit it (Cohen & Levinthal, 1990: 131).

The authors stress the importance of awareness where to find critical knowledge which can be formulated as a “who knows what”-notion (Cohen & Levinthal, 1990: 133).

Furthermore, they acknowledge a trade-off between diversity and commonality of knowledge. Diversity in backgrounds is useful, however, “some portion of [...] prior knowledge should be very closely related to the new knowledge to facilitate assimilation, and some fraction of that knowledge must be fairly diverse, although still related to permit effective, creative utilization of the new knowledge” (Cohen & Levinthal, 1990: 136).

A lack of initial investment in absorptive capacity can result in a “lockout” effect for the firm. This can be illustrated in its cumulative nature – once a firm stops investing in a technologically quickly moving field it may never be able to catch up again later. Bearing that in mind, some firms conduct basic research in order to broaden their knowledge base and to exploit new technologies easier owing to their fundamental knowledge of the subject. The not-invented-here syndrome

can also be avoided with this idea of continuous development of capabilities in order to stay “up to date”.

### 1.3.3. Stickiness

First, I would like to explain what constitutes “stickiness” in this framework. The term had its debut in the business world with Arrow (1969) who used it in the context of transfer of technical knowledge. Von Hippel (1994: 429) defines “sticky information” as “information [that] is costly to acquire, transfer and use”. In short, when a transfer requires relatively more effort than another, it is said to be stickier (Szulanski & Cappetta, 2003: 513).

When analyzing internal stickiness Szulanski (1996) identifies four stages of the knowledge transfer process: First, *initiation*, which “comprises all events that lead to the decision to transfer [knowledge]” (Szulanski, 1996: 28). Second, *implementation* represents the phase between continuing after the decision to transfer knowledge and the actual application of the transferred knowledge. With *ramp-up*, the third stage, the recipient in the knowledge transfer process starts to use the knowledge and probably encounters some initial difficulties which need to be solved. Finally, during the *integration* stage the transferred knowledge is being used on a routine basis and implemented into the organization.

The question at hand is now, what makes knowledge difficult to transfer, hence “sticky”? Szulanski (1996) answers this question with four sets of factors – characteristics of the knowledge transferred, source of knowledge, recipient of knowledge, and context. *Characteristics of knowledge transferred* include causal ambiguity and unprovenness, meaning that “knowledge with a proven record of past usefulness is less difficult to transfer” (Szulanski, 1996: 31). When looking at the *source of knowledge*, reliability as well as motivation to share knowledge need to be taken into account. Motivation is also important for the *recipient of knowledge* in order to accept the transferred knowledge; furthermore, a lack of absorptive and retentive capacity can hinder effective knowledge transfer according to the author. Characteristics of *context* comprise a favorable organizational context – Szulanski (1996: 32) talks about “fertile” and “barren” contexts – and the quality of relationships, meaning that

knowledge transfer requires many individual communication exchanges that all need to be successful in order to transfer the knowledge in question.

After conducting research in this area, Szulanski (1996) found out that absorptive capacity of the recipient, causal ambiguity and arduous relationships between the source and the recipient were the three most important origins of stickiness, hence they represent major knowledge barriers.

In a later publication, Szulanski & Cappetta (2003) generated a measurement of stickiness for each stage of the knowledge transfer process with the use of the construct “eventfulness”. The idea is that a smooth knowledge transfer often goes by unnoticed, except for the parties directly involved. However, if problems of any kind occur during the knowledge transfer process it gets significantly more attention, most probably even by parties not even remotely involved in the original knowledge transfer like, for example, senior management or consultants who are required to solve the problems at hand. A situation comprising such critical incidents is referred to as eventful. With the aid of the measurement “eventfulness” Szulanski & Cappetta (2003) refined the original concept of stickiness.

During the *initiation stage* stickiness is “the difficulty in recognizing opportunities to transfer and in acting upon them” (Szulanski & Cappetta, 2003: 519). Eventfulness, in this case, depends on the existence and ready availability to find these opportunities and on the decision to pursue them. This involves up-front documentation of current practice, the ability of articulation of practice by the source as well as the recipient’s ability to specify the exact future use of the new knowledge (Szulanski & Cappetta, 2003).

Eventfulness during the *implementation stage* is dependent on mastery of communication between source and recipient as well as bridging the technical gap. This includes eliminating problems connected to language, culture, and codes in addition to problems of coordination like a disruption of the daily routine of the source which may result in a distraction from his or her main mission. During this stage the quality of the relationship between source and recipient may prove supportive to the success of all other possible sources of stickiness.

*Ramp-up* stickiness is concerned with “identifying and resolving unexpected problems which keep the recipient from matching or exceeding a priori expectations of post-transfer performance” (Szulanski & Cappetta, 2003: 520). Eventfulness “depends on the number and seriousness of unexpected problems and the effort required to solve them” (Szulanski & Cappetta, 2003: 520). Such unexpected problems are even more difficult to solve when they occur at later stages because, then, earlier versions might have already become accepted and institutionalized which makes them harder to modify accordingly. Causal ambiguity of practice and absorptive capacity of the recipient are both important issues to be regarded during this stage.

*Integration* stickiness corresponds to the difficulties that are encountered while new knowledge is being routinized. Eventfulness “depends on the effort required to remove obstacles and to deal with challenges to the routinization of the new practice” (Szulanski & Cappetta, 2003: 521). Szulanski & Cappetta (2003: 521) speak of truce in intraorganizational conflict that needs to be maintained and can be disrupted by internal and external events.

#### **1.3.4. Relevance**

In addition to Schulz’s (2003) concept of reciprocity in organizational learning, he introduces another factor that influences knowledge flows within multinational corporations – relevance. Therefore, he uses the theoretical approach of relevance theory. Linguistic relevance theory, for example, argues that “comprehension is brought about because hearers select relevant implications of utterances of speakers and disregard less relevant ones” (Schulz, 2003: 442).

Schulz (2003) uses this theory and applies it to organizational communication, defining knowledge relevance “as the degree to which external knowledge has the potential to connect to local knowledge” (Schulz, 2003: 442). Linking knowledge to relevance makes a lot of sense indeed since relevance affects the value of knowledge and also flows to the places where it is believed to be most relevant.

Schulz (2003) was able to support his hypothesis that relevance affects the intensity of knowledge inflows into organizational subunits which led to several other implications. He found out that the smaller the effort used to process

knowledge, which can be translated by codification, the higher is its relevance. He also argues that informal relations with knowledge providers make it easier to identify relevance for the focal subunit and “outflows enhance other units’ perceptions of what is relevant for a focal unit” (Schulz, 2003: 454).

Schulz (2003) also takes knowledge volume into perspective and reveals that it has no impact on horizontal and vertical inflows of knowledge. This discovery led him to reviewing the concepts of absorptive capacity and relevance theory. For theories of absorptive capacity (see Cohen & Levinthal, 1990) this suggests “that a larger knowledge volume enhances absorptive capacity, but at the same time exhausts the space of things not yet learned” while for relevance theory, “a larger local knowledge volume might increase the overlap with extra-unit knowledge, thereby increasing the likelihood that relevant linkages can be established” (Schulz, 2003: 454).

Another important result obtained by Schulz (2003) indicates that the number of peer units shows a positive effect on vertical but no effect on horizontal inflows of knowledge. With more peer units the knowledge volume grows but with this also the uncertainty of relevance.

With his in-depth study of knowledge inflows Schulz (2003) generated several recommendations for practitioners: “codify knowledge, do not overspecialize knowledge bases, establish informal relations to other subunits, send knowledge to units you want to receive knowledge from, locate subunits in environments with strong demands for local responsiveness, and improve vertical channels” (Schulz, 2003: 456).

### **1.3.5. Culture & Language**

Knowledge transfer needs a form of communication in order to be successful and culture can be seen as a main aspect of communication. Taylor & Osland (2003) are among the authors that identify intercultural communication as a major potential barrier to organizational learning in MNCs.

They come up with six elements that affect organizational learning which are divided into sender- and receiver-related factors. Among sender-related factors are marginality of sender, stereotypes concerning the stranger, communication style differences and linguistic ability, while receiver-related factors include cosmopolitanism and satisficing.

*Marginality* in terms of culture means “people who have internalized two or more cultural frames of reference” (Stonequist, 1932 in Taylor & Osland, 2003: 217). Expatriates serve as a good example of this possible barrier when they come back to their home country and are marginalized, meaning not in the center of communication and may have “less opportunity to speak or be heard” (Taylor & Osland, 2003: 218).

*Stereotypes* are “based on relatively little information, are resistant to change even in the light of new information, and are rarely accurately applied to specific individuals” (Taylor & Osland 2003: 218). In the business world this barrier can exhibit a major hindrance to organizational learning. However, Taylor & Osland (2003) remark that stereotypes can also be positive; as long as they are subject to change once additional information about the person is obtained. Basically, they can be positive if they are connected to the will to learn more. In the absence of learning, Taylor & Osland (2003) remark, stereotypes can be seen as a definite barrier.

Furthermore, culture has an important influence on verbal and non-verbal *communication styles*. Taylor & Osland (2003) identify five verbal communication styles: High- versus low-context, direct versus indirect, person-oriented versus status-oriented, self-enhancement versus self-effacement, and succinct–exacting–elaborate. Low-context communication is very explicit and verbal while high-context communication is rather implicit with many non-verbal elements. Naturally, knowledge transfer between people using these two different types of communication might be difficult. Direct versus indirect verbal style means “the extent to which communicators reveal their intentions through their tone of voice and the straightforwardness of their content message” (Ting-Toomey, 1999: 103). Ting-Toomey (1999: 106) explains the person-oriented verbal style as an “individual-centered verbal mode that emphasizes the importance of informality and role suspension” and the status-oriented verbal style as a “role-centered verbal mode that emphasizes formality and large power distance”. The authors define power distance according to Hofstede’s (2001) cultural dimensions that will be explained in more detail below. Self-enhancement and self-effacement describe the extent to which a person talks about their achievements in public and boasts about them. Self-effacement, for instance, is a verbal style where humbleness and modesty prevail (Ting-

Toomey, 1999: 107). The amount of talk people feel comfortable with is what succinct (low quantity), exacting (precision, “just the right” amount of words), and elaborate (high quantity) convey (Taylor & Osland 2003: 221). For instance, many Asian cultures are quite used to silence, making many “think-pauses” during a conversation. This is something Westerners regard as uncomfortable and believe it is their task to fill these pauses with small talk which again is conceived as inappropriate by many Asians (Taylor & Osland, 2003: 221).

In general, communication difficulties in terms of culture appear less often when the parties involved are well-educated about cultural differences and are willing to adapt accordingly.

The last sender-related barrier is *linguistic ability*. Besides the obvious fact that verbal communication is extremely difficult when the parties involved do not speak the same language, there are a few other issues to be taken into consideration. In an organization, positions that involve communication with a foreign country might be given to people who have the ability to speak the required language fluently but are not necessarily the best ones for the position. This implies the possibility that people might restrict their communication to colleagues who are fluent in their mother tongue, excluding people who speak the language less well – this takes the possibility to learn from them. This aspect among others has also been studied by Makela et al. (2007) and will be discussed in 1.3.6.

Cosmopolitanism and Satisficing are among the receiver-related communication barriers. “Cosmopolitanism is an attitudinal stance or mindset that indicates an orientation toward the outside world” (Merton, 1957 in Taylor & Osland, 2003: 222). On the organizational level *cosmopolitanism* can be seen as the “willingness of the organization to look outside itself” (Taylor & Osland, 2003: 223) and can be related to the concept of absorptive capacity (see Cohen & Levinthal, 1990). *Satisficing* describes a state when the firm or individual feel that they have learned enough to get by. This inhibits further development and may result in an organizational standstill which can be lethal for a company competing in an environment that changes at a fast pace. The focus is on short-term goals as opposed to taking future developments into account (Taylor & Osland, 2003: 223).

All the above described factors lead to intercultural sensitivity which can be best described as a stage process developed by Bennett (1993 in Taylor & Osland, 2003: 225). There are three ethnocentric stages: denial, defense, and minimization and three ethnorelative stages: acceptance, adaptation, and integration. Taylor & Osland (2003) propose the hypothesis that intercultural sensitivity is directly connected to the readiness to transfer knowledge. Ideally, multinational companies should be positioned in one of the ethnorelative stages in order for organizational learning to flourish. Where exactly a company is situated can be measured by the number and relative power of people constituting a worldview that complies with one of the stages (Bennett and Bennett, 2002 in Taylor & Osland, 2003: 224). The question at hand is now how companies can move from an ethnocentric to an ethnorelative stage. Taylor & Osland (2003) argue that some kind of “disruption” is needed in order to move across stages which can be achieved by so-called “trigger events” (Griffith, 1999). Such trigger events have been grouped into three types by Louis & Sutton (1991 in Taylor & Osland, 2003: 225): a situation that is “unusual or novel”, a situation “provoked by discrepancy” and an event that “refers to deliberate initiatives” (Taylor & Osland, 2003: 225).

One example for the last trigger, put forth by Taylor & Osland (2003), is a change in corporate leadership, for example by promoting repatriates and using their acquired knowledge accordingly.

A slightly different approach to the effect of culture and language on knowledge transfer has been provided by Haas (2006) who examined the roles of cosmopolitans and locals in transnational teams.

He defines cosmopolitans as “individuals who have lived and worked in multiple countries and who speak several languages” and locals as “individuals who have lived and worked in the project country and who speak the local language” following Tung (1998). Haas’ (2006) findings indicate very complex mechanisms in the acquisition and application of internal and external knowledge. He found out that contributions by cosmopolitans were more beneficial compared to locals, however, too many of both were harmful to the quality of a project. Haas (2006: 379) believes that “the ideal team composition included one or two local members, but not more, and several cosmopolitans, but not too many”.

In a nutshell, heterogeneity is the key to a well-performing team and the notion “think globally, act locally” (see Bartlett & Ghoshal, 1989; Birkinshaw & Morrison, 1995) holds true when it comes to effective knowledge acquisition and application in transnational teams.

#### **1.3.5.1.      *The Importance of Corporate Culture***

Among other things, a common culture facilitates communication as well as cooperation (Almeida et al., 2003: 367). Ambos (née Chini, 2004: 124) even draws the possible conclusion in her work on effectiveness of knowledge transfer, that “corporate culture becomes more important than country culture”. Von Krogh (2003) uses the comparison between social communities and knowledge sharing in organizations in order to find out what motivates people to share knowledge.

A “community of practice” is defined by “having members who share work activities and engagement, and by working together over a certain period of time, develop a shared identity, language, artifacts, norms and values” (Von Krogh: 2003: 377). Von Krogh (2003: 379) remarks that literature on the topic at hand suggests that “organizational members have a collective interest in sharing knowledge”, however “people are rewarded not only for sharing knowledge in communities, but also for being self-interested, rational, and free-riding, in order to advance their career and improve their monetary position”. Furthermore, he addresses the role of intrinsic and extrinsic motivation and states that intrinsic motivation can be regarded as significantly more important. Von Krogh (2003: 384) identifies three factors that should influence knowledge sharing when interests are “diverse and distributed”. First, *opportunity structures*, which refer to “the occasion and benefits of sharing knowledge in the community” (Von Krogh, 2003: 380) act as a hindrance to knowledge sharing because they may become “costly to identify and realize as the community grows in size”. This refers mainly to monitoring costs. Second, Von Krogh (2003: 382) believes *care* as a social norm to impact knowledge sharing positively because of the trust, active empathy, access to help, lenience in judgment that are connected to this trait. Third, *authenticity* makes sure that “legitimate knowledge in the community is shared directly from the source in a way that ensures its genuineness, accuracy, validity, and reliability” (Von Krogh,

2003: 383). This factor also impacts knowledge sharing positively since it makes it possible for members of the community to identify “better knowledge” within opportunity structures and to learn and improve (Von Krogh, 2003: 384).

#### **1.3.5.2. Making Corporate Use of Cultural Differences – Expatriation**

The important role of expatriates in intercultural communication was already touched upon by Taylor & Osland (2003) when talking about marginality as a barrier to knowledge transfer and is further stressed by Au & Fukuta (2002: 286-287) who believe expatriates act as “multicultural brokers” – “culture brokers who can connect groups and resources that would otherwise be scattered”.

Although there are several definitions of what constitutes an “expatriate” (see Harzing, 2001; Brewster, 1991), I will use Braasch’s (1999: 27) definition who says an expatriate is “a manager whose background has been determined by one particular culture, but whose current work environment lies in a different culture”.

Among many reasons for expatriation, the development of knowledge resources is a very important one and continuously more companies make use of it. However, there are various difficulties that need to be regarded by the company as well as the expatriate when engaging in such a program.

Expatriates need to cope with adaptation to “a new country, a new social organization and a different way of doing things, encapsulated in a new culture” and run through a diverse “cross-cultural adjustment process” (Pires et al., 2006: 158). Of particular interest to the multinational company are the reasons for expatriate failure and how to ensure maximum profit of expatriation in terms of knowledge transfer. Expatriate failure shall be defined as “the inability of the expatriate or repatriate to perform according to the expectations of the organization” (Harzing & Christensen, 2004: 622). A company that seeks to avoid expatriate failure is provided with various opportunities that it can administer. Overall, job satisfaction has been identified as a critical factor for the completion of an international assignment but it should to be noted that financial incentives are not among the main reasons for job satisfaction (McCaughey & Bruning, 2005). In order to contribute to the successful completion of an expatriation program the company can offer support before, during and after the assignment.

This includes career development beforehand, to fit the sojourn into the long term career plan of the employee and training in terms of language, culture, general management skills and possibly special technical skills needed for the position abroad. McCaughey & Bruning (2005) advise companies to include family members in some of these trainings since the importance of family or the accompanying partner should not be underestimated when it comes to the success of an assignment. During the assignment, mentoring programs with either host-country or home-country mentors; partner employment and career counseling offer ready possibilities for the company to support the expatriate while being abroad. Special attention should be put on repatriation support, since this is the stage which bears a substantial impact on the effectiveness of knowledge transfer for the MNC and may compromise time and money with no valuable “knowledge output” for the home-country corporation who initiated the expatriate program in the first place. The most frequent problems when repatriating include lack of autonomy, isolation, unmet expectations of promotion and having a different status in the home-country than in the host-country (McCaughey & Bruning, 2005: 27).

		Benefits	
		Individual	Organizational
Assignment stage	<i>Expatriation (shorter-term)</i>	<ul style="list-style-type: none"> <li>▪ Task performance</li> <li>▪ Skill building, learning, and growth</li> <li>▪ Job satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>▪ Accomplishment of organizational tasks</li> <li>▪ Achievement of key organizational objectives</li> </ul>
	<i>Repatriation (longer-term)</i>	<ul style="list-style-type: none"> <li>▪ Continued development</li> <li>▪ Attractive future assignments</li> <li>▪ Promotion</li> <li>▪ Enlargement of responsibility</li> </ul>	<ul style="list-style-type: none"> <li>▪ Retention of repatriated employee</li> <li>▪ Utilization of new expertise</li> <li>▪ Transfer of expertise</li> </ul>

**Figure 3: Possible success criteria for international assignments (Yan et al., 2002: 378)**

Yan et al. (2002) introduced a model of organizational expatriate alignment which helps combat these sources of discontent. It consists of seven factors: continued expatriate development, attractive future assignments, promotion upon return, enhanced employee responsibilities, repatriated employee retention, utilization of new expertise, and knowledge transfer of new skills into the organization. Figure 3 provides a summarized matrix view of possible individual and organizational benefits of expatriate programs.

To ensure maximum profit of expatriate assignments, Connelly et al. (2007) have addressed the principal-agent problem when designing a management contract for expatriates. They stress the differing success criteria for such assignments from the expatriate's and the organization's point of view. The major goal of an expatriate assignment is knowledge integration that should occur upon return, however, how can an organization make sure that happens when it lacks information about the acquired knowledge of the expatriate who again might be reluctant to share this knowledge? Therefore, Connelly et al. (2007) introduce the "knowledge contract". This contract should include, as specifically as possible, the interests of the organization and the individual concerned. Moreover, the authors suggest adjusting the contract to the corporate-level strategy, using Bartlett & Ghoshal's (1998) main strategies for MNCs. Connelly et al. (2007) argue that each type of strategy is connected to different tasks, responsibilities and levels of autonomy concerning the expatriate. Depending on the strategy, the contract should differ in specificity and transaction costs. The authors believe that when the knowledge contract is aligned with the firm's strategy, the expatriate as well as the organization have a clear understanding of what constitutes success which provides the best basic prerequisites to avoid expatriate failure.

### **1.3.5.3. Culture Measures**

A great number of scholars have developed instruments to assess and compare cultures. In the following, I will review some of the most common constructs to measure culture including Hofstede's (2001) cultural dimensions, the GLOBE study by House et al. (2002), the Kogut & Singh (1988) index, Trompenaars' (2004) cultural dimensions, Hall & Hall's (2001) key concepts of culture and Inglehart et al.'s (1998) world values survey.

#### **Hofstede's (2001) Cultural Dimensions**

In 1980, Geert Hofstede (2001) conducted a landmark study of 50 countries and 3 regions at IBM, a big multinational company operating in the information technology industry. This study was broadened and enhanced in the subsequent years, comprising more countries and more dimensions. Hofstede's

(2001) original model measured differentiating cultures along four dimensions. Later, a fifth dimension (Long-Term vs. Short-Term Orientation) was added resulting in the following five dimensions:

- **Power Distance (PDI)** – “the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally” (<http://www.geert-hofstede.com/> Accessed 22 Apr 2008)
- **Individualism (IDV) versus Collectivism** – “the degree to which individuals are integrated into groups” (<http://www.geert-hofstede.com/> Accessed 22 Apr 2008)
- **Masculinity (MAS) versus Femininity** – “refers to the distribution of roles between the genders“ (<http://www.geert-hofstede.com/> Accessed 22 Apr 2008)
- **Uncertainty Avoidance (UAI)** – “deals with a society's tolerance for uncertainty and ambiguity” (<http://www.geert-hofstede.com/> Accessed 22 Apr 2008)
- **Long-Term Orientation (LOT) versus Short-Term Orientation** – “deal[s] with Virtue regardless of Truth [...]; Values associated with Long Term Orientation are thrift and perseverance; values associated with Short Term Orientation are respect for tradition, fulfilling social obligations, and protecting one's 'face'” (<http://www.geert-hofstede.com/> Accessed 22 Apr 2008)

Although subject to criticism, Hofstede's (2001) study provides a solid quantitative, empirical basis to the assessment of cultural differences between countries.

### **Project GLOBE**

The GLOBE (Global Leadership and Organizational Behavior Effectiveness) research program consists of 150 researchers who collected data on cultural values and practices, and leadership attributes based on responses of about 17,000 managers from 951 organizations in 62 countries around the world over the course of ten years (Javidan & House, 2001: 293; House et al., 2004: 3).

The GLOBE study measures countries along nine cultural dimensions:

- **Assertiveness** – “the extent to which a society encourages people to be tough, confrontational, assertive and competitive versus modest and tender” (Javidan & House, 2001: 293)
- **Future Orientation** – “the extent to which a society encourages and rewards future-orientated behaviors such as planning, investing in the future, and delaying gratification” (Javidan & House, 2001: 294)
- **Gender Differentiation** – “the extent to which a society maximizes gender role differences” (Javidan & House, 2001: 294)
- **Uncertainty Avoidance** – “society’s reliance on social norms and procedures to alleviate the unpredictability of future events”; “the extent to which its members seek orderliness, consistency, structure, formalized procedures and laws to cover situations in their daily lives” (Javidan & House, 2001: 295)
- **Power Distance** – “the degree to which members of a society expect power to be unequally shared”; “the extent to which a community maintains inequality among its members by stratification of individuals and groups with respect to power, authority, prestige, status, wealth, and material possessions”; “it also reflects the establishment and maintenance of dominance and control of the less powerful by the more powerful” (Javidan & House, 2001: 295-296)
- **Collectivism** – “the degree to which individuals are encouraged by societal institutions to be integrated into groups within organizations and society”; “consists of allocating resources and making opportunities available for members of the society to participate in societal legislative, economic, social, and political processes” (Javidan & House, 2001: 296)
- **Family Collectivism** – “the extent to which members of a society take pride in membership in small groups such as their family and circle of close friends, and the organization in which they are employed” (Javidan & House, 2001: 297-298)
- **Performance Orientation** – “the degree to which a society encourages and rewards group members for performance improvement and excellence” (Javidan & House, 2001: 300)

- **Humane Orientation** – “the degree to which a society encourages and rewards individuals for being fair, altruistic, generous, caring, and kind to others” (Javidan & House, 2001: 300-301)

A summary of all nine GLOBE dimensions including characteristics can be viewed in Table 1.

GLOBE Project – Cultural Dimensions		
	<i>High</i>	<i>Low</i>
<b>Assertiveness</b>	<ul style="list-style-type: none"> <li>• “can-do” attitude</li> <li>• Value competition</li> <li>• Sympathy for the strong and the winner</li> </ul>	<ul style="list-style-type: none"> <li>• Warm cooperative relations and harmony</li> <li>• Sympathy for the weak</li> <li>• Emphasis on loyalty and solidarity</li> </ul>
<b>Future Orientation</b>	<ul style="list-style-type: none"> <li>• Higher propensity to save for the future</li> <li>• Longer thinking and decision-making time frames</li> </ul>	<ul style="list-style-type: none"> <li>• Shorter thinking and planning horizons</li> <li>• Greater emphasis on instant gratification</li> </ul>
<b>Gender Differentiation</b>	<ul style="list-style-type: none"> <li>• Women have higher status, stronger role in decision-making</li> <li>• More women in labor force, more women in positions of authority</li> <li>• Men and women have similar levels of education</li> </ul>	<ul style="list-style-type: none"> <li>• Men have higher social status</li> <li>• Relatively few women in positions of authority</li> </ul>
<b>Uncertainty Avoidance</b>	<ul style="list-style-type: none"> <li>• Stronger tendency towards orderliness and consistency, structured lifestyles, clear specification of social expectations, rules and laws to cover situations</li> </ul>	<ul style="list-style-type: none"> <li>• Strong tolerance of ambiguity and uncertainty</li> <li>• Less structure in lives</li> <li>• Not as concerned about following rules and procedures</li> </ul>
<b>Power Distance</b>	<ul style="list-style-type: none"> <li>• Obedience towards superiors</li> <li>• Clearly distinguish between those with status and power and those without it</li> </ul>	<ul style="list-style-type: none"> <li>• Less differentiation between those with power and those without it</li> <li>• Tend to be more egalitarian, favor stronger participation</li> </ul>
<b>Collectivism</b>	<ul style="list-style-type: none"> <li>• Group harmony and cooperation is paramount</li> <li>• Rewards are designed to recognize the group and not the individual</li> <li>• People prefer similarity to others rather than distinctiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Value autonomy and freedom</li> <li>• Rewards are based on individual performance because self-interest is more strongly valued than collective good</li> </ul>
<b>Family Collectivism</b>	<ul style="list-style-type: none"> <li>• Family members and close friends tend to have strong expectations from each other</li> <li>• Not unusual to forgo due diligence, or equal employment opportunity, and to favor a close friend or family member in recruiting or in allocating rewards and promotions</li> </ul>	<ul style="list-style-type: none"> <li>• Family members and close friends do not expect any form of special treatment</li> <li>• People do not feel an obligation to ignore rules or procedures to take care of close friends</li> </ul>
<b>Performance Orientation</b>	<ul style="list-style-type: none"> <li>• Training and development is highly valued</li> <li>• “can-do” attitude, taking initiative</li> <li>• prefer direct and explicit communication and tend to have sense of urgency</li> </ul>	<ul style="list-style-type: none"> <li>• Emphasize loyalty and belonging, view feedback as discomforting, emphasize tradition, pay attention to one’s family and background rather than performance</li> <li>• Associate competition with defeat, value sympathy</li> </ul>
<b>Humane Orientation</b>	<ul style="list-style-type: none"> <li>• Human relations, sympathy and support for others highly valued</li> <li>• Belongingness and sympathy are very important</li> <li>• Individuals are expected to care for the well-being of others</li> <li>• Parents are expected to closely monitor their children, and children are expected to be obedient</li> </ul>	<ul style="list-style-type: none"> <li>• Power and material possessions motivate people</li> <li>• Self-enhancement is a predominant value</li> <li>• Assertive styles of conflict resolution are preferred</li> <li>• People are expected to solve their own problems, and children are expected to be independent</li> </ul>

**Table 1: GLOBE Cultural Dimensions Characteristics (Javidan & House, 2001)**

Javidan & House (2001) provide implications for global managers on the basis of cross-cultural communication along each of the nine cultural dimensions. Effective communication depends on quite different characteristics across cultures as can be seen in Table 2.

	High	Low
<b>Performance Orientation</b>	<ul style="list-style-type: none"> <li>▪ Direct and explicit language</li> <li>▪ Facts &amp; figures, rational thinking</li> <li>▪ Strong results-driven, explicit</li> </ul>	<ul style="list-style-type: none"> <li>▪ Indirect, vague language</li> <li>▪ No clear agreement on facts</li> <li>▪ Discussion and exploration of issues, without commitments and explicit results</li> </ul>
<b>Assertiveness</b>	<ul style="list-style-type: none"> <li>▪ One-way</li> <li>▪ Explicit and ambitious expectations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Two-way</li> <li>▪ Highly involved dialogue with much discussion</li> </ul>
<b>Gender Differentiation</b>	<ul style="list-style-type: none"> <li>▪ Different types of language with males and females</li> </ul>	<ul style="list-style-type: none"> <li>▪ Women take offense when seen as different from men</li> </ul>
<b>Uncertainty Avoidance</b>	<ul style="list-style-type: none"> <li>▪ Clear and explicit, based on facts</li> <li>▪ Rules and procedures</li> <li>▪ Highly structured and formal</li> </ul>	<ul style="list-style-type: none"> <li>▪ Not structured and organized</li> </ul>
<b>Power Distance</b>	<ul style="list-style-type: none"> <li>▪ One-way – from top to bottom</li> <li>▪ Input &amp; Feedback from subordinates seen as impolite and disloyal</li> </ul>	<ul style="list-style-type: none"> <li>▪ Two-way</li> <li>▪ Input &amp; Feedback from subordinates wanted</li> </ul>
<b>Collectivism</b>	<ul style="list-style-type: none"> <li>▪ Group cohesion and harmony</li> <li>▪ General, soft and indirect language</li> <li>▪ Process highly involved, great deal of discussion</li> </ul>	<ul style="list-style-type: none"> <li>▪ Less concerned about group cohesion, more concerned about individual response</li> <li>▪ Process simpler, with less involvement and participation</li> </ul>
<b>Humane Orientation</b>	<ul style="list-style-type: none"> <li>▪ Focused on cohesion – avoiding conflict, being caring and paternalistic</li> <li>▪ Focus on being supportive, less output-driven</li> </ul>	<ul style="list-style-type: none"> <li>▪ Process and message simpler, more direct</li> <li>▪ Less focused on being supportive and caring</li> <li>▪ Generosity not a key criterion in process</li> </ul>

**Table 2: Cross-cultural communication on the basis of GLOBE Cultural Dimensions (Javidan & House, 2001: 302-303)**

### **Kogut & Singh (1988) Index**

Kogut & Singh (1988) developed a measure while testing for the effect of national culture on choice of entry mode.

The measure for cultural distance is based on Hofstede's (2001) four cultural dimensions. Kogut & Singh (1988) formed a composite index "based on the deviation along each of the four cultural dimensions (i.e., power distance, uncertainty avoidance, masculinity/femininity, and individualism) [...]" (Kogut & Singh, 1988: 422). These measures were then corrected for differences in the variances of each dimension and arithmetically averaged. Figure 4 shows the resulting formula, an explanation of each variable can be found in Table 3.

$$CD_j = \sum_{i=1}^4 \{(I_{ij} - I_{iu})^2 / V_{ij}\} / 4$$

**Figure 4: Kogut & Singh Cultural Distance Index (Kogut & Singh, 1988: 422)**

$I_{ij}$	Index for the $i$ th cultural dimension and $j$ th country
$V_i$	Variance of the index of the $i$ th dimension
$u$	United States
$CD_j$	Cultural difference of the $j$ th country from the United States

Table 3: Description of variables used in Kogut & Singh Index  
(Kogut & Singh, 1988: 422)

### Trompenaars' Cultural Dimensions

Trompenaars' model comprises seven cultural dimensions from which nine corporate culture dimensions have been derived by Trompenaars & Prud'homme (2004).

- **Universalism versus Particularism** – “In universalistic cultures there is an obligation to the standards which are universally agreed in that culture” and “[i]n particularist cultures there are particular obligations to people and unique situations”. In terms of corporate culture, Trompenaars & Prud'homme (2004: 59) refer to this dimension as *consistency versus pragmatism*.
- **Individualism versus Collectivism** – “Do people regard themselves primarily as individuals, focusing on their own individual interests, or do they regard themselves primarily as part of a group, focusing on common goals and objectives”. *Individualism versus group orientation* is this dimension of corporate culture (Trompenaars & Prud'homme, 2004: 60).
- **Specific versus Diffuse** – Here, Trompenaars & Prud'homme (2004: 60-61) stress the segregation of phenomena into parts versus the integration of these phenomena into complete patterns. “Specific cultures emphasize facts, units, analysis, and hard numbers” and “diffuse cultures emphasize relations, patterns, connectedness, synthesis, and “soft” processes”. The authors identify two corporate culture dimensions in this section – *competing versus partnership orientation* and *result centrality versus people centrality*.
- **Neutral versus Affective** – “Should the nature of business be rational and detached, or is the role of emotions, intuition, etc., accepted?” In terms of corporate culture this dimension refers to *rational versus inspirational* (Trompenaars & Prud'homme, 2004: 61).

- **Achievement versus Ascription** – Are status and power dependent on performance or other factors like age, sex, family status, education, etc.? (Trompenaars & Woolliams, 2004) This dimension of corporate culture is labeled *egalitarian versus hierarchical* (Trompenaars & Prud'homme, 2004: 61).
- **Internal versus External Control** – “Internal control orientation stands for influencing or even dominating the environment by imposing your will on it, using your power to overcome the obstacles” and “External control orientation stands for the unpredictable, uncontrollable forces, and developments in the environment and responding to them” (Trompenaars & Prud'homme, 2004: 62). In terms of corporate culture this dimension is referred to as *international drive versus responsiveness*.
- **Time: Sequential versus Synchronous** – “Cultures with a sequential orientation view time as a consecutive series of events coming at regular intervals” and “in cultures with a synchronic orientation, past, present, and future are all interrelated and time is conceived of as cyclical” (Trompenaars & Prud'homme, 2004: 62). Two corporate culture dimensions emerge from this dimension – *stable continuity versus dynamic change* and *short-term orientation versus long-term orientation*.

### **Key Concepts of Cultures by Hall & Hall (1990)**

*“The essence of effective cross-cultural communication has more to do with releasing the right responses than with sending the ‘right’ messages.” (Hall & Hall, 1990: 4)*

Hall & Hall (1990) offer a number of “key concepts” to help deciphering the complex and unspoken rules of culture.

- **Fast and Slow Messages** – refer to the “speed with which a particular message can be decoded and acted on”, examples for fast messages are headlines, propaganda, television, easy familiarity, manners etc. and for slow messages, books, art, print, deep relationships, culture, etc. (Hall & Hall, 1990: 4-5)
- **High and Low Context** – refers to the “information that surrounds an event; it is inextricably bound up with the meaning of that event”, in high context communication most of the message is already in the person

while in low context communication most of the message is coded (Hall & Hall, 1990: 6)

- **Space** – refers to the physical boundaries of people, it includes personal space as sensed by all the senses and territoriality (Hall & Hall, 1990: 10-12)
- **Time**
  - Time As Structure: Monochronic and Polychronic Time – “Monochronic time means paying attention to and doing only one thing at a time” and “Polychronic time means being involved with many things at once” (Hall & Hall, 1990: 13). Furthermore, there is a distinction between *past and future orientation* of countries and cultures that needs to be taken under consideration as well (Hall & Hall, 1990: 17).
  - Time As Communication: includes *tempo, rhythm, and synchrony*; as well as *scheduling and amount of lead time* (Hall & Hall, 1990: 18-22)
- **Information Flow** – “measured by how long it takes a message intended to produce an action to travel from one part of an organization to another and for that message to release the desired response” (Hall & Hall, 1990: 22)
- **Action Chains** – “an established sequence of events in which one or more people participate – and contribute – to achieve a goal”; examples include greeting people, hiring and training personnel, developing an advertising campaign etc. (Hall & Hall, 1990: 24-25)
- **Interfacing** – refers to adaptation, the authors use the example of European and American appliances and outlets where adaptors for plugs and voltage transformer are needed in order for electricity to be used properly (Hall & Hall, 1990: 26-27)

### **World Values Survey**

Between 1990 and 1993 more than 80 principal investigators carried out a World Values Survey in 43 societies around the globe in order to measure peoples’ basic values and attitudes. The survey included standardized cross-

cultural measures concerning politics, economics, religion, sexual behavior, gender roles, family values, and ecological concerns (Inglehart et al., 1998: 1).

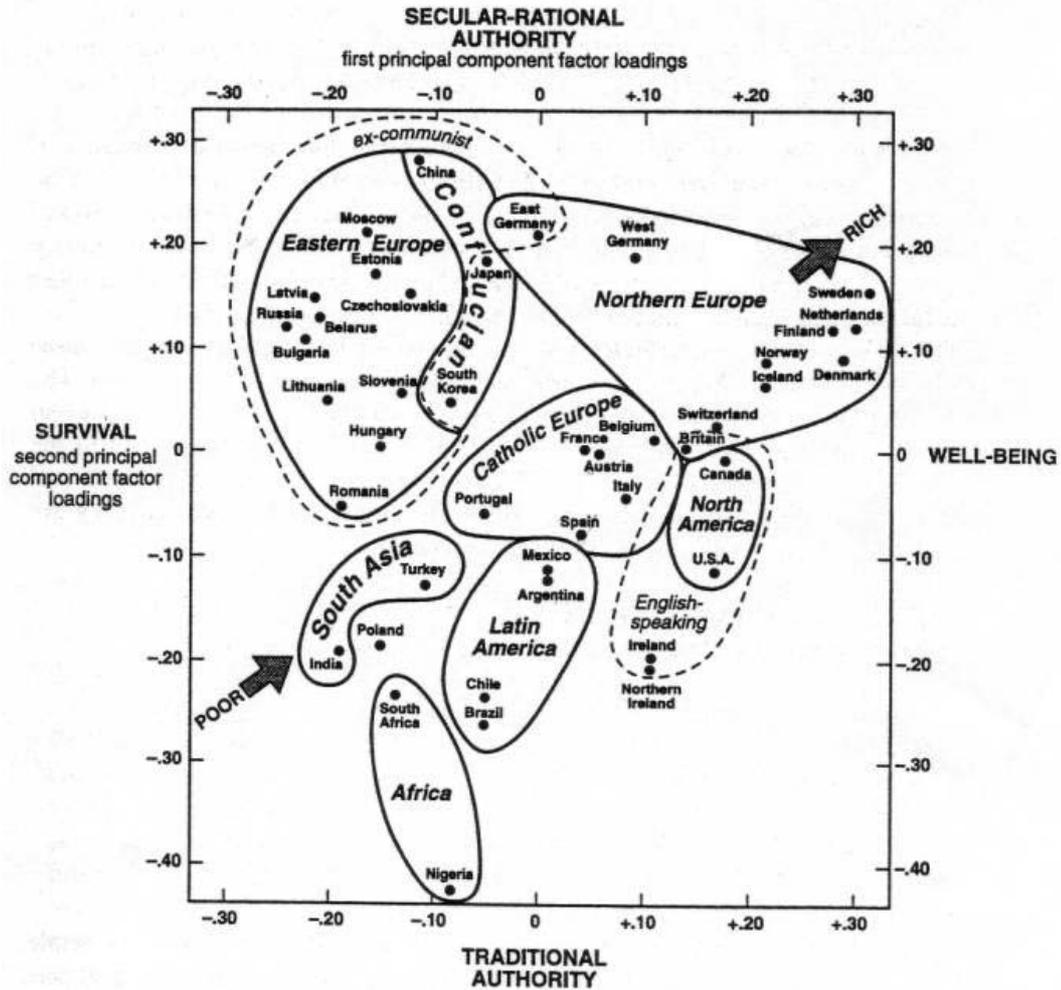


Figure 5: A Cultural Map of the World. Where given societies fall on two key cultural dimensions. (Inglehart, 1997: 93)

A “Cultural Map” is presented in Figure 5 aligning all 43 countries along two key dimensions – Traditional vs. Secular-Rational authority and Survival vs. Well-being values.

### 1.3.6. Interpersonal Relationships

People are the most important carriers of knowledge within a multinational company (Doz et al., 2001) – this statement points to the important role of interpersonal relationships in knowledge transfers.

Makela (2007: 5) defines interpersonal knowledge sharing as “formal and informal knowledge exchanges occurring within interpersonal action”. Interpersonal relationships’ role is to bridge ties between different parts of the

organization and to create channels where knowledge can flow across geographical, cultural, linguistic, and organizational boundaries (Makela, 2007: 5).

Cross & Sproull (2004) conducted research on the relative importance of personal relationships when it comes to the creation and application of actionable knowledge. The authors define actionable knowledge as “knowledge that leads to the immediate progress on a current assignment or project” (Cross & Sproull, 2004: 446).

A mutual basis of trust and understanding between actors serves as a facilitator when exchanging knowledge. Therefore, fostering informal relationships is important and also, people who discover similarities outside of work are more inclined to provide knowledge to those who need it (Cross & Sproull, 2004: 448). This notion has been put forth by Makela et al. (2007) as well.

According to Cross & Sproull (2004) actionable knowledge consists of five elements – referrals, problem reformulation, validation, solutions, and legitimation. The authors found out that the quality of relationships is not equally important for each component. For the first three elements (referrals, problem reformulation, validation), relationships are characterized as being more intimate with a stronger element of trust. The richness of these relationships is found both on a professional and a personal level (Cross & Sproull, 2004: 451). The willingness of an individual to help out is also a factor that should not be underestimated since the mere exchange process of critical knowledge could be only a short interaction in terms of time but could save the recipient a lot of time.

Furthermore, the authors posit that different factors influence different outcomes. They argue that solutions, referrals, and problem reformulation are essential for the effectiveness, while referrals, validations, and legitimation are important for the efficiency of the search process and implementation of actionable knowledge. The vital precondition for an effective knowledge transfer is to know “who knows what” which has been pointed out by a number of authors before (see Cohen & Levinthal, 1990; Hutchins, 1995; Moreland et al., 1996 in Cross & Sproull, 2004: 452). Cross & Sproull’s (2004: 460) final

conclusion underlines the relevance of social networks within MNCs in order to generate and implement actionable knowledge.

Certain similarities usually make communication easier like a common language and cultural background. Makela et al. (2007: 2) suggests that “subsidiaries have a tendency to communicate more intensely with similar others, leading to uneven patterns of knowledge flows”. This notion is also supported by Monteiro et al. (2007).

Makela et al. (2007: 1) looked into the paradox of homophily which states that “knowledge flows better within clusters driven by homophily than between them”. Homophily is a term “borrowed” from sociology and refers to a “tendency to associate with people ‘like’ yourself” (Watts, 1999 in Makela et al., 2007: 3). Such similarities can be based on social class, status, gender, race, and occupation (Makela et al., 2007: 3). This is particularly interesting in an organizational context since it may drive managers’ “linkages across intra- and inter-organizational boundaries” (Makela et al., 2007: 3).

Moreover, the authors identify three similarity factors that are relevant for the MNC context: national-cultural background, language and organizational status. Similarity in terms of *national-cultural background* refers to shared beliefs, values, perceptions and practices within the countries of the interaction partners (see House et al., 2004). Makela et al. (2007) deliberately do not include *language* into national-cultural background because although both are interrelated, they sometimes do not occur conjointly. The third factor which has a significant impact on interactions between managers in MNCs is similarity of *organizational status* which includes several aspects like shared function, equal tenure within the organization, the same level or position, and similarity of local environment (Makela et al., 2007: 10).

The authors argue that “interpersonal similarity increases the tendency for interaction between MNC managers [...], and that this increased interaction leads to a higher tendency to share business knowledge” (Makela et al., 2007: 11). Such similarities can also lead to the creation of sub-groups which facilitate knowledge flows within such clusters but not between them. This duality of homophily which illustrates the above mentioned paradox shows that interpersonal homophily acts both as a driver and barrier to knowledge sharing.

Since the positive sides of interpersonal clustering were already looked into, I would like to mention three negative aspects highlighted by Makela et al. (2007). First, it can restrict the acquisition of new knowledge, second, it may create an entry barrier for individuals who do not share a similarity and third, it can result in “false familiarity” (Makela et al., 2007: 14). Bearing these negative facets in mind, the authors still argue that the positive role of interpersonal homophily prevails.

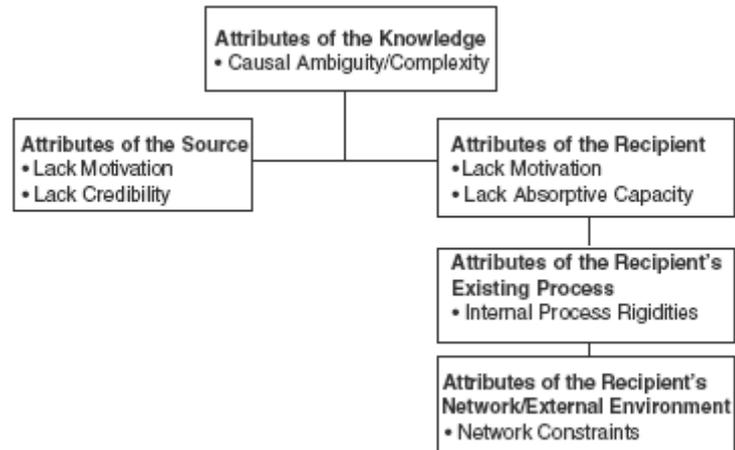
### **1.3.7. Network Position**

*“Organizational units are embedded in a network coordinated through processes of knowledge transfer and resource sharing.” (Tsai, 2001: 996)*

Tsai (2001) decided to investigate two important concepts that influence effectiveness of knowledge transfer: network position and absorptive capacity. A unit’s network position shows its “ability to access external information and knowledge. By occupying a central position [...] a unit is likely to access desired strategic resources” (Tsai, 2001: 997). In this context, absorptive capacity needs to be regarded as well because it gives the unit the ability to “absorb inputs in order to generate outputs” (Tsai, 2001: 998). In the course of research Tsai (2001) failed to prove that a central network position has a positive effect on a unit’s business performance; however he found out that a high absorptive capacity affects business performance positively. Hence, access to a lot of knowledge through a central network position is deemed useless if there is not enough absorptive capacity to process it. Managers should regard this issue when planning to expand network links because if this is done properly, it could lead to a major competitive advantage (Tsai, 2001: 1003).

Dyer & Hatch (2006) conducted an extensive in-depth study about the influence of network resources on firm performance and also took into consideration the sustainability of such competitive advantages. They were able to identify two key barriers to intra-firm knowledge transfers that have not been addressed in earlier studies: network constraints and internal process rigidities. The first one refers to differing “customer policies” as well as other “constraints imposed by the customer” while the second one relates to “rigidities that make adoption of [a] new process difficult or costly” (Dyer & Hatch, 2006: 715). Furthermore, the

authors found evidence for “either ‘causal ambiguity’ or lack of absorptive capacity” (Dyer & Hatch, 2006: 714) having participants stating concerns about their ability to replicate knowledge. Dyer & Hatch’s (2006) findings are summarized in Figure 6.



**Figure 6: Barriers to knowledge transfer (Dyer & Hatch, 2006: 715)**

While examining the phenomenon of subsidiary isolation in a recent study, Monteiro et al. (2008: 92) developed a demand-driven model of knowledge flow which suggests that “knowledge transfer between units can be framed as a process of problemistic search on the part of the recipient”.

The authors found out that the perceived evaluation of a subunit has an impact on knowledge inflows and outflows of that unit and that these evaluations differ substantially among raters (peer, self or corporate). The results indicate that the recipient’s evaluation of the focal subunit has the strongest influence on knowledge flows in and out of that subunit. Furthermore, Monteiro et al. (2008) corroborated the importance of reciprocity which means that subunits that often exchange knowledge establish stronger and more frequently used knowledge pathways. There is a traditional Polish saying that pinpoints this aspect: “Cos za cos” – “Something, for something”. Along with reciprocity, communication is another important factor to foster knowledge flows – the first person contacted when a problem arises is most probably somebody known to the person encountering the problem.

Moreover, the authors were able to prove that isolated subunits, meaning subunits that do not experience a knowledge flow in or out of the subsidiary at least once a year, show a lower overall performance than other subunits. When

looking at these isolated subunits more closely, Monteiro et al. (2008: 104) could identify several possibilities to bring them back into the “knowledge-sharing network”. First, personal networks need to be established among subsidiary managers, this was achieved by giving the subsidiary an expatriate manager who had many personal connections already. Another solution was the recognition of language issues, which has been identified as a knowledge transfer barrier earlier by various authors (see Gupta & Govindarajan, 1991; Grant, 1996; Szulanski & Capetta, 2003; Taylor & Osland, 2003; Von Krogh, 2003; Makela et al., 2007). Frequent meetings of all subsidiary managers providing updates of recent performance and process measures proved to be another way to bring back isolated subsidiaries since this led to an “informed choice” when transferring knowledge which eventually resulted in an increase in knowledge flows owing to fewer poor evaluations by the receiving unit.

#### **1.3.7.1. Embeddedness**

Network theory suggests that a “unit’s most important resource is the web of specific relationships in which the subsidiary is embedded” (Andersson & Forsgren, 1996: 488). Andersson & Forsgren (1996: 488) believe that a subsidiary’s behavior is shaped, for one thing, by headquarters’ control mechanisms and for another, by the subsidiary’s embeddedness in a business network that includes actors inside as well as outside the MNC.

Andersson & Forsgren (1996: 490) define subsidiary embeddedness as “the total sum of interdependences [the subsidiary] has as a consequence of its position in a business network”, meaning that “[t]he stronger the interdependence between the subsidiary and its counterparts, the higher the degree of embeddedness”. However, it has to be noted that a subsidiary might not be equally embedded in all existing relationships. The authors distinguish between corporate embeddedness, meaning “exchange relationships between sister units and the focal subunit” and external embeddedness, referring to “the subsidiary’s exchanges with actors outside the organizational entity” (Andersson & Forsgren, 1996: 493), which together sum up to total embeddedness.

The authors conducted research based on subsidiaries’ perceived control as exerted by headquarters. The focus in the study at hand was on how subsidiary

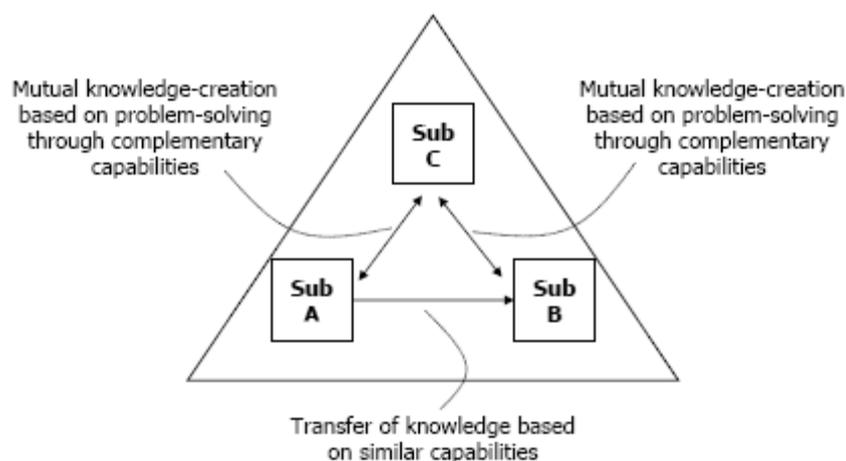
embeddedness influences headquarters' control mechanisms. The results include that the more embedded the subsidiary was in external relationships, the lower headquarters' control as perceived by the subsidiary and vice versa. Although contradicting the main topic of this thesis, a highly relevant conclusion has been drawn by the authors which serves as a significant contribution. Andersson & Forsgren (1996: 504) found out that "external embeddedness among the MNC's subsidiaries can be as important for the MNC's competitive advantage as corporate embeddedness".

Dividing external embeddedness in business embeddedness, defined as "a subsidiary's capacity to understand changing business conditions and its ability to adapt to these conditions through its business relationships", and technical embeddedness, defined as "the subsidiary's capacity to absorb new technology through a relationship", Andersson et al. (2002: 987) found out that technical embeddedness has a positive impact on subsidiary performance and competence development within the MNC. However, business embeddedness influences technical embeddedness positively and therefore has an indirect impact on both factors. The authors further remark that from the viewpoint of a subsidiary, its external network is as important as its internal network when it comes to competitiveness and daily business life (Andersson et al., 2002: 991) which corroborates previous research.

In a later study, Forsgren et al. (2005) focus on the importance of shared values as opposed to hard factors such as business relationships within the MNC as facilitators for knowledge transfer. The results indicate that "the 'business network' factor seems to be more important than shared values as an explanatory variable with regard to knowledge transfer" (Forsgren et al., 2005: 164). The authors conclude that what affects the knowledge transfer process is the extent to which a common culture is manifested in common practices, meaning similar routines, conventions, habits, and rituals within the MNC (Forsgren et al., 2005: 165). This can be especially applied to the knowledge exchange between subsidiaries – "the more common interests that the subsidiaries share, the greater will be their knowledge exchange [...]" (Forsgren et al., 2005: 166).

Furthermore, as far as the knowledge exchange between subsidiaries in particular is concerned, Forsgren et al. (2005) investigated the role of similarity-

induced and complementarity-induced learning in the MNC. For similarity, the authors compare the knowledge transfer process to a student-teacher relationship and believe that besides various obstacles – the authors mention absorptive capacity of the receiving unit and motivational factors in particular (see Cohen & Levinthal, 1990; Szulanski, 2000) – “the amount of similarity between the activities and the earlier experiences of both sides plays a crucial role” (Forsgren et al., 2005: 176). The importance of complementarity stems from the division of labor and implies rather problem-solving where the two subsidiaries are involved in different ways. These interactions are depicted in Figure 7.



**Figure 7: Similarity-induced and complementarity-induced learning in the MNC (Forsgren et al., 2005: 175)**

Forsgren et al. (2005: 177-178) explain the distinction between the transfer of best practices (based on similar capabilities) and problem-solving (based on complementary capabilities) resembling the distinction between know how and know what. The former is concerned with the combination of capabilities while the latter is concerned with the equalization of capabilities. Furthermore, the authors point out that in reality learning among subsidiaries includes both processes simultaneously (Forsgren et al., 2005: 178).

This distinction can also be applied to subsidiaries that are embedded in external relationships. There, the subsidiary has complementary relationships with external customers and suppliers and similar relationships with competitors (Forsgren et al., 2005: 183).

### **1.3.7.2. Knowledge & Power**

Gärber & Ambos (2007: 2) argue that “a subsidiary will be powerful to the extent that it controls or has access to critical knowledge on which other units are dependent on”. This statement entails two crucial aspects: power and dependence. The authors define a subsidiary’s power by the “degree of autonomy and its level of strategic influence within the MNC”.

Gärber & Ambos (2007) use two kinds of theories for two types of knowledge to explain how to obtain this kind of power. First, for knowledge owners, resource-dependency theory holds true which argues that three factors influence power – knowledge importance, number of alternatives, and degree of discretion (Medcof, 2001: 1002). All three factors hold the basic principle of dependence being the key. Second, for knowledge traders, network theory says that power can be achieved through access and demand centrality which both consist of the underlying principle that a central network position is favorable and connected to power.

Gärber & Ambos (2007: 13) go further into examining knowledge networking strategies by comparing the theories of two scholars – Burt’s (1992) structural holes theory which claims that actors benefit from brokering positions within the network and Coleman’s (2000) theory that actors “in closed networks achieve power by building coalitions and mobilizing others on their behalf”.

Gärber & Ambos (2007: 18) conclude that when looking at networks as a source of subsidiary power, although Burt’s (1992) structural holes theory and the open network that accompanies it are important, “under certain conditions a centrally embedded network subsidiary will benefit more from closing its network”. However, they argue that this will only happen when the power achieved from brokerage can be substituted otherwise.

### **1.3.7.3. The Micro and Macro Perspective**

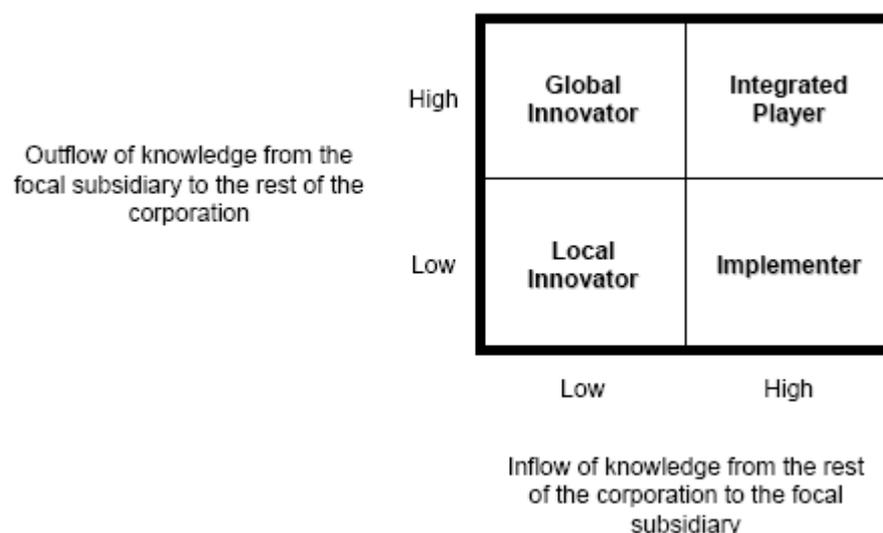
Mudambi (2002) divides knowledge flows into two categories – within the firm (micro) and between firms (macro). He believes that different underlying goals are involved – the micro perspective is subject to different domains within which knowledge flows occur (Mudambi, 2002: 4). These domains include lateral versus hierarchical flows, competitive versus autonomous flows, and transplantation versus integration flows. Apart from that, the macro perspective

covers industry clusters and network advantages. Clustering includes situating the firm close to a knowledge institution like a research university or within a geographically concentrated area of companies operating in the same industry. Moreover, Mudambi (2002: 5) states that firms often fail because they lack absorptive capacity rather than the mere ability to master a new technology supporting Cohen & Levinthal's (1990) concept.

The bottom line of Mudambi's (2002) notions is that MNCs need to recognize the difference between the above described micro and macro perspective when it comes to knowledge flows. In terms of knowledge management the former is rather concerned with maximizing a firm's competitive advantage whereas the latter one means benefiting from the physical location of a company.

### 1.3.8. Subsidiary-specific Characteristics & The Role of Headquarters

Gupta & Govindarajan (1991: 771) present a knowledge flows-based framework resting upon the assumption that "constraints imposed by geographical distance, cultural diversity, linguistic differences, and the conflicting demands of various host governments" result in differing strategic contexts among subsidiaries. Therefore, knowledge flow patterns are also affected resulting in the division into four types of subsidiary roles as depicted in Figure 8.



**Figure 8: Variations in Subsidiary Strategic contexts: A Knowledge Flows-Based Framework (Gupta & Govindarajan, 1991: 774)**

Gupta & Govindarajan's (1991) suggestion on differing subsidiary roles is further developed by a theoretical analysis into three differences in managerial behavior.

*Subsidiary differences in lateral interdependence* include four mechanisms that need to be regarded – use of formal integrative mechanisms, intensity of communication, national background of subsidiary managers, and corporate socialization of subsidiary managers. *Subsidiary differences in global responsibility and authority* can be addressed by adjusting bases for bonus determination, budget evaluation styles, reliance on outcome versus behavior controls, as well as the subsidiary manager's tolerance for ambiguity which defines his or her ability to deal effectively with ambiguous information and situations (Gupta & Govindarajan, 1991: 783). *Subsidiary differences in need for autonomous initiative* can be managed with the aid of the subsidiary manager's locus of control, corporate-subsidiary decentralization, and the size of bonuses relative to salaries.

Summing up, Gupta & Govindarajan (1991: 787) produced a theoretical analysis of differing formal and informal control mechanisms according to the subsidiary's position in the MNC's knowledge network on the basis of its strategic mandate.

An empirical study was conducted by Harzing & Noorderhaven (2006) with the aim to validate and extend Gupta & Govindarajan's (1991) typology. Their research generated some insightful results – they found out that Global Innovators “seem to be oriented more towards other subsidiaries than towards HQ” indicating that this subsidiary type might be more prevalent in a “networked MNC” (Harzing & Noorderhaven, 2006: 211). Furthermore, Harzing & Noorderhaven (2006) were able to support the notion that control by socialization and networks is more strongly related to subsidiary knowledge flows as compared to HQ knowledge flows and autonomy is significantly related only to knowledge flows between headquarters. Therefore, the authors support the need for different management styles for different types of subsidiaries in terms of autonomy and control mechanisms.

Rugman & Verbeke (2001) introduce the concept of competence building by location-bound and non-location bound firm-specific advantages when it comes to creating subsidiary-specific advantages. A framework has been produced comprising ten types of knowledge development and diffusion patterns within a MNC where Rugman & Verbeke (2001) acknowledge the importance of patterns involving the therein mentioned subsidiary-specific advantages. These assumptions present some implications on current business practice suggesting that the existence of internal mobility barriers should be accepted while concentrating on regional networks within MNCs.

Sharon Watson O'Donnell (2000) directed some of her research on managing foreign subsidiaries emphasizing the role of headquarters. For this, she used two theoretical models – “Agency Theory” versus “Interdependent Network Perspective”. “Agency theory” consists mainly of monitoring and incentives – there are two ways of monitoring; either personal supervision or bureaucratic mechanisms like rules, programs, and procedures. Incentives are usually outcome-based portions of the salary (O'Donnell, 2000: 526-530).

The “Interdependence Model” uses something that may be called “good monitoring” and incentives as social control mechanisms. Personal supervision takes place as “vertical integrating mechanisms” by creating a continuous knowledge flow between headquarters and subsidiary managers while “lateral integrating mechanisms” establish contact among foreign subsidiary managers. Incentives are designed non-monetary, either connected to the manager's career or the subsidiary itself (O'Donnell, 2000: 530-534).

O'Donnell (2000) came to the conclusion that intra-firm international interdependence and social control mechanisms are crucial factors that need to be considered, and intra-firm as well as inter-unit relationships are as important as headquarters-subsidiary relationships when implementing a new course of action throughout the MNC (O'Donnell, 2000: 543).

Björkman et al. (2004) conducted research building on agency theory and socialization theory. The authors focused on HQ control on inter-unit transfer of subsidiaries. Their results include support for corporate socialization mechanisms acting as facilitators of knowledge transfers within the MNC.

Furthermore, the use of compensation systems based on subsidiary performance was empirically tested by Björkman et al. (2004) who found no support for this theory. However, the authors discovered that subsidiary managers were highly motivated to transfer more knowledge when this was included in headquarters' evaluation criteria suggesting that there might be an underlying self-interest after all. These empirical results go in line with O'Donnell's (2000) theoretical assumptions discussed above.

### **1.3.9. Organizational Forgetting**

An interesting aspect of organizational learning has been addressed by De Holan & Phillips (2003) – organizational forgetting. The authors argue that forgetting is an “important part of the dynamics of knowledge in organizations (De Holan & Phillips, 2003: 398).

De Holan & Phillips (2003) distinguish three types of organizational forgetting. The first type is the inability to include new knowledge into the organization's memory system. However, this can be avoided if new knowledge is incorporated in policies, routines and procedures, used regularly, and updated frequently. Second, “the deterioration of stored knowledge” which describes forgetting that happened after integrating knowledge into the organizational memory system. The critical activity is “to maintain the stock of knowledge of the organization” (De Holan & Phillips, 2003: 403). The third mode of forgetting is “forgetting as knowledge management”. This dimension describes voluntary forgetting as an activity desired by the organization (De Holan & Phillips, 2003: 403). Possible reasons are paving the way for new knowledge because existing “old” knowledge is seen as an obstacle for that. De Holan & Phillips (2003: 404) state that “the overall effectiveness of the process of knowledge mobilization [...] is likely to be influenced by the presence or absence of forgetting [...]”.

Source of Knowledge	From existing stock	MEMORY DECAY	UNLEARNING
	Newly Innovated	FAILURE TO CAPTURE	AVOID BAD HABITS
		Accidental	Intentional
		Mode of Forgetting	

**Figure 9: Forms of Organizational Forgetting (De Holan et al., 2004)**

After conducting research on this topic, the authors were able to draw several conclusions, one being particularly descriptive of their work: “Managing forgetting was a major management concern and [it] consumed a surprising amount of time and effort to forget things that needed to be forgotten, to avoid forgetting things that shouldn’t be forgotten, and to recreate critical knowledge that was forgotten” (De Holan & Phillips, 2003: 405). A matrix with all four forms of organizational forgetting and their characteristics can be seen in Figure 9.

### 1.3.10. Capabilities of the Metanational Organization

Doz et al. (2001) recognize the demands of the new knowledge economy lying in the broad dispersal of knowledge. The “metanational organization” is ready to address these new demands and challenges. Its main tasks are to sense, mobilize, and operationalize knowledge worldwide. The authors provide a framework of six capabilities in order to address these three goals, which can be seen in Table 4. Capabilities for *sensing new knowledge* include prospecting and accessing capabilities; moving and melding capabilities are necessary in order to *mobilize dispersed knowledge* and for *operationalizing innovations* more efficiently than the competition, relaying, and leveraging capabilities are necessary.

<b>Goal</b>	<b>Capabilities</b>
<b>Sensing</b> new knowledge faster and more effectively than competitors	<p><b>Prospecting Capabilities:</b> The predisposition to prospecting for emerging pockets of innovative technology and new market needs. This prospecting capability allows companies to anticipate emerging hotbeds or relevant knowledge ahead of competitors.</p> <p><b>Accessing Capabilities:</b> The ability to “plug in” to innovative technology and new market needs through an established network of relationships with foreign customers, suppliers, distributors, universities, and technical institutes. This provides access to emerging pockets of relevant knowledge.</p>
<b>Mobilizing</b> dispersed knowledge to innovate more creatively than competitors	<p><b>Moving Capabilities:</b> An effective process for setting up “magnets” (such as projects undertaken to serve global customers or to build global product or service platforms that can identify and move globally dispersed knowledge so that it can be marshaled for innovative problem-solving.</p> <p><b>Melding Capabilities:</b> A capability to meld knowledge about new technologies and novel customer needs from diverse sources into coherent innovation, overcoming the problems associated with melding complex knowledge and integrating it into solutions.</p>
<b>Operationalizing</b> innovations more efficiently than competitors	<p><b>Relaying Capabilities:</b> An ability to transfer newly created solutions, in usable form, into the day-to-day operations that underpin in the supply chain.</p> <p><b>Leveraging Capabilities:</b> The capability to leverage innovations across global customer segments or applications and to assemble an efficient global supply chain by flexibly combining operational strength from different sites. These may either be established sites in an existing network of operations or sites operated by a partner.</p>

**Table 4: Six Capabilities the Metanational Will Need to Build  
(Doz et al., 2001: 83)**

In order to optimize a company’s operating network the authors call attention to a trade-off between global coordination – and by that minimizing costs – and local responsiveness, or maximizing revenues. Doz et al. (2001: 94) believe that tools for managing international operations like roles and responsibilities, resource allocation rules, performance measures, incentive systems, and skill sets within the multinational structure, may not be designed for building the metanational advantage. In fact, this approach is “doomed to failure” in the eyes of the authors. The authors suggest designing rewards and punishments for “explorers” – “rewards that motivate them to prospect the world for new technologies and emerging customer applications” (Doz et al., 2001: 99). In order for the company to get to metanational, the company needs to create a shift in the mindset from a current focus on costs and volumes to a “dual focus on knowledge discovery and exploitation where the critical knowledge is geographically dispersed and deeply embedded in its local context” (Doz et al., 2001: 11).

Furthermore, Doz et al. (2001) address the difficulties that are connected to distance, both cultural and geographical. They use the commonly known example of Disney entering the European Market with EuroDisney using the same rule (“always smile at the guests”) in Paris that was successful in the

United States, not bearing in mind that Europeans interpret and use smiles differently (Doz et al., 2001: 115-116). This is a beautiful example for tacit, context-dependent knowledge that cannot be transferred without adaptations.

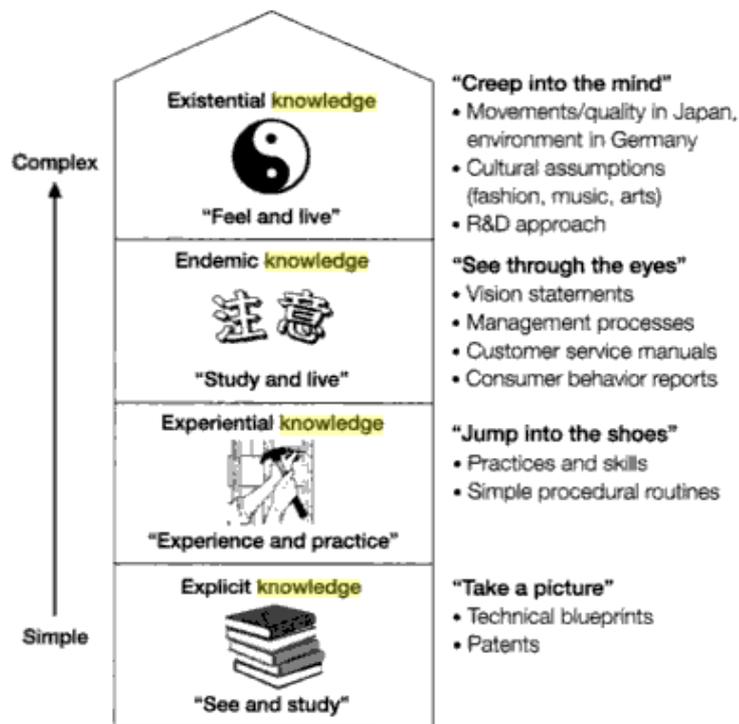


Figure 10: Knowledge Complexity (Doz et al., 2001: 120)

Moreover, Doz et al. (2001) developed a model of knowledge complexity starting with *simple knowledge* that can be easily codified and bears little risk of misinterpretation, hence is easiest to mobilize across borders. Moving further up the ladder, *experiential knowledge* "can be transferred and understood by recreating the experience" (Doz et al., 2001: 119), *endemic knowledge* is more complex than it initially seems and needs to be viewed within the context it is embedded in (Doz et al., 2001: 120). The most complex knowledge is *existential knowledge*, knowledge that is "both tacit and embedded in particular contexts". In order to tap into this last kind of knowledge it is necessary to "creep into the mind" (Doz et al., 2001: 121). These four types of knowledge complexity can be seen in Figure 10. Cultural and physical distance further adds to the challenges when managing these different kinds of knowledge. So far, multinational companies have addressed these issues by two traditional tools – co-location and transferring knowledge by projection. In order to become metanational and address these problems in the future, the authors suggest

finding structures and processes that compensate when co-location is not possible and move around knowledge through which co-location of dispersed knowledge is re-created.

In conclusion, the authors point to the fact that knowledge cannot be moved as such – a “package” or “carrier” of knowledge is what is being moved in the form of people, blueprints, machines, etc. This statement comprises the understanding that, first, the package or carrier “incompletely and imperfectly embodies the knowledge, so that knowledge degrades to some extent when it is moved” and, second, the knowledge needs to be recontextualized once the package or carrier reaches its destination.

### **1.3.11. Making Effectiveness an Issue in Knowledge Transfer Research**

The bulk part of research on knowledge sharing is directed on measuring the quantity of knowledge transfers within organizations. Perhaps this stems from the popular opinion – the more, the better. However, during the past few years many authors (see Grant, 1996; Tsai, 2001; De Holan & Phillips, 2003; Cross & Sproull, 2004; Ambos née Chini, 2004; Mahnke et al., 2006; Ambos et al., 2006; Haas & Hansen, 2007; Williams, 2007; Fang et al., 2007) have concentrated on the effectiveness of such transfers, and with that some important new notions on drivers and barriers of knowledge transfer emerged.

Ambos (née Chini, 2004) was among the authors who noticed this research gap and focused her dissertation on effectiveness of knowledge transfers in multinational companies. Her work will be scrutinized in the empirical section of this thesis.

Also focusing on effectiveness of knowledge transfers, looking at subsidiary performance as connected to number of knowledge outflows, Mahnke et al. (2006) were able to determine *lack of appropriate communication channels* as the main impediment and *reciprocal inflow of knowledge* as well as *acknowledgement of unique subsidiary knowledge* as the main enablers of knowledge outflows. Furthermore, they found out that too much knowledge sharing was detrimental to subsidiary performance suggesting a U-shaped

relation between subsidiary performance and knowledge outflows. This finding strongly undermines the notion that mere quantity of knowledge flows is not enough, since at some point the cost of knowledge sharing exceeds its benefits. In the end, Mahnke et al. (2006) identify ample room for further research, for example, how to optimize levels of knowledge sharing or how self-interested subsidiaries and career-seeking managers are motivated to share the amount of knowledge they share.

Ambos et al. (2006) looked at reverse knowledge transfers from subsidiaries to headquarters. The authors also stress the benefits of such transfers over the quantity which can be translated into measuring effectiveness. Headquarters seemed to benefit the most from the kind of knowledge transfer they got the least. This indicates room for improvement in this particular area. Furthermore, the authors assessed subsidiaries according to Gupta & Govindarajan's (1991) four strategic roles and discovered that "Integrated Players" are most valuable from a headquarters' point of view.

Concerning network position, the authors show that units that are deeply integrated in the MNC network contribute more beneficial knowledge to headquarters – which explains the result that "Global Innovators" do not provide as much valuable knowledge to headquarters owing to their lack of integration in the MNC network. Ambos et al. (2006) found no support for the hypothesized impact of cultural and organizational distance on knowledge transfers. This result partly goes in line with Ambos' (née Chini, 2004) and Björkman et al.'s (2004) work. Ambos et al. (2006) conclude that various types of knowledge need to be treated differently and traditional hierarchical structures might not be the best way to do that.

Haas & Hansen (2007: 1133) also note that "more knowledge sharing is no guarantee of improved performance" and proved that various types of knowledge affect various tasks differently. The authors looked at three indicators of productivity when working with knowledge: time saved, quality of work and ability to signal competence. It has to be noted that they performed empirical research in a management consulting company where these factors seemed particularly vital for work performance. For example, signals of

competence influenced the bid for a new client significantly (Haas & Hansen, 2007: 1137). On the basis of these factors the authors examine two types of knowledge sharing – personal advice usage (involving direct contact between provider and receiver of knowledge) and electronic document usage (stand-alone resource, document-to-people sharing) which, as they note, do not have to be mutually exclusive but may actually lead to one another (Haas & Hansen, 2007: 1135-1136). Furthermore, Haas & Hansen (2007: 1149) were able to demonstrate that “using high-quality electronic documents increased time savings [...] but did not affect work quality or the signaling of competence” whereas “drawing on advice from experienced colleagues improved quality [...] and increased their ability to signal competence [...] but did not save time”. They point out that “the costs of knowledge sharing may sometimes outweigh the benefits, using document and personal advice from colleagues around the firm does not necessarily help – and sometimes actually hurts – task-level performance” (Haas & Hansen, 2007: 1150).

The findings of Haas & Hansen (2007: 1151) are of particular importance for companies that either compete on quality, and “can benefit from emphasizing personal advice usage”, or companies that require efficiency more extensively and can amplify the usage of electronic documents. However, the most important implication that can be derived from the authors’ work is that using various types of knowledge effectively is difficult and it needs to be monitored closely which type of knowledge boosts which type of activity sustainably.

Another scholar addressing the issue of success when transferring knowledge is Williams (2007). He looked at replication – “[the] effort aimed at creating activities at one location that are identical to those at another location” – and adaptation – “[the] effort toward the goal of modifying or combining practices from a source unit” – of knowledge and found out that, although earlier research has often either emphasized the need for one or the other, there is a mutualism of replication and adaptation in knowledge transfer relationships (Williams, 2007: 868-870). He proved that “replication rises when knowledge is more discrete, while adaptation rises when the receiving firm understands the knowledge it is getting”. Furthermore, Williams (2007) acknowledges the ambiguous and context-dependent role of organizational knowledge, leading to

a number of uncertain relationships the company is confronted with when transferring knowledge. A “continuous process of modification and observation” (Williams, 2007: 869) is needed to manage these relationships in order to result in a successful knowledge transfer. Based on his research, Williams (2007: 884) advises companies to distinguish between ambiguous knowledge, which needs to be replicated exactly, and context-specific knowledge, which should rather be subject to adaptation.

Fang et al. (2007) directed their studies on the multinational company’s capability to transfer knowledge to its subunits. Their research tries to resolve the paradox that the most valuable resources for a firm are also the ones that are most difficult to transfer. Fang et al. (2007: 1055) identify four knowledge resources: “internationalization experience” and “local host country experience” which are both geographically based; and “technological knowledge” and “marketing knowledge” which are built within the firm.

This study stands out because of its longitudinal nature. The authors were able to obtain a sample of almost 5000 Japanese subsidiaries which were monitored over a period of fourteen years from 1990-2003 (Fang et al., 2007: 1057). Results support the resource-based view of the firm stating that “knowledge that is valuable, but not rare, can lead to a short-term but not long-term competitive advantage. Conversely, knowledge that is valuable, rare, and resistant to imitation and substitution can lead to a long-term competitive advantage.” (Fang et al., 2007: 1061).

### **1.3.12. Critical Notes on Contemporary Literature on Knowledge**

Foss (2006: 7) identifies three fundamental problems when looking at “the whole ‘knowledge movement’ in business administration” First, he sees a lack in micro-foundations – there is “no theory of individual agency in recent knowledge-based work, and therefore no individual-level constructs to base aggregate constructs on” (Foss, 2006: 7). He criticizes the fact that recent work on cognitive and motivational drivers, and barriers to knowledge transfer in the MNC have been taken as starting points for research, when they should have been taken as mere hypotheses. Second, Foss (2006) identifies a lack of understanding the MNC knowledge structure. He believes that the main focus

has been put on understanding knowledge flows, when the stratification of knowledge stocks should be understood first. Third, a lack of causality is existent according to Foss (2006) with no clear framework that explains a variety of cause and effect relationships within the MNC when it comes to the interaction of organization and knowledge.

Foss (2006: 9) suggests knowledge resources to be analyzed using economics-public-goods theory – degrees of excludability and rivalry. Furthermore, he proposes to see the overall MNC structure as “a set of nodes connected by arrows” (Foss, 2006: 10), with the nodes representing knowledge elements which can be identical and represent tacit or explicit knowledge as well as knowledge with or without public good character. Arrows could be unidirectional, representing one-way spillovers or they could go both ways as complementarities between knowledge elements. Foss (2006) points special attention to the fact that “excludability is endogenous to managerial action”, which means there is plenty of control possibilities for agents.

$$S_t = S_{t-1} + s(I_t, O_t).$$

$$A_t = A_{t-1} + a(I_t, O_t).$$

$$H_t = H_{t-1} + h(I_t, O_t).$$

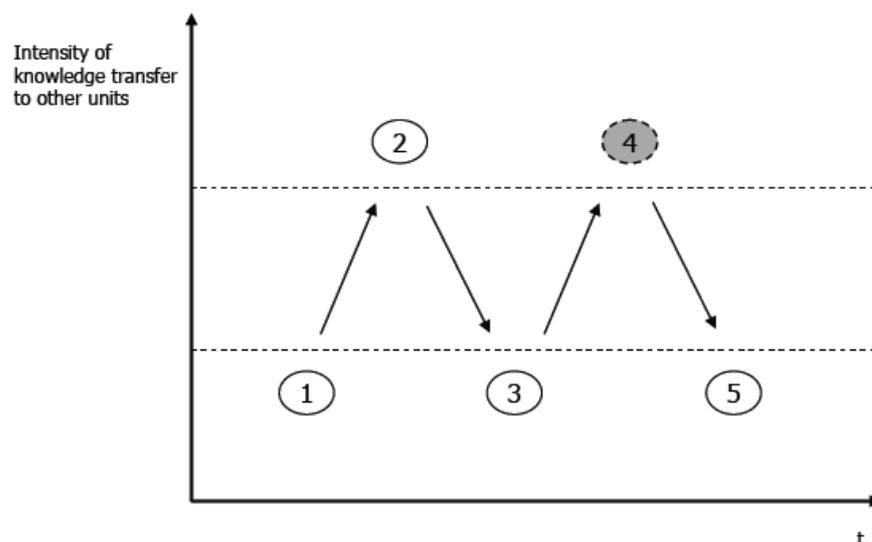
**Figure 11: Transition Equations  
(Foss, 2006: 15)**

Foss (2006) introduces a heuristic framework based on control theory which distinguishes three kinds of variables – control, state and environmental. Control variables include a vector of instruments of organizational control ( $O_t$ ), investments in knowledge building ( $I_t$ ) and attention to organizational control ( $a_t$ ). State variables comprise the aggregate MNC knowledge stock ( $S_t$ ), attention capacity ( $A_t$ ), and knowledge characteristics ( $H_t$ ). Wages ( $w$ ) and stochastic knowledge stock process ( $a$ ) form the environmental variables. Foss (2006: 16) believes “[t]he key to understanding how capabilities develop in the MNC lies in understanding the functional forms  $s()$ ,  $a()$ , and  $h()$  in the transition equations” in Figure 11.

Another critical reflection on current literature on knowledge and the MNC is presented by Ambos & Ambos (2007) who believe that there are three basic misconceptions in contemporary knowledge management literature.

First, they argue, there should be a clear distinction between the different aims of knowledge transfer – creation of new knowledge on the one hand, and dissemination and exploitation of existing knowledge on the other hand. The authors point to a lack of empirical work focusing on this differentiation but hypothesize that the variables which affect exploitation of existing and creation of new knowledge must be different (Ambos & Ambos, 2007). Second, they tap into the recent suggestion that “more knowledge transfer is not necessarily better” (Ambos & Ambos, 2007) and point out that there is a lack of understanding under which circumstances knowledge transfer is not beneficial for the MNC. The third misconception concerns the conceptualization of knowledge flows. Ambos & Ambos (2007) argue that current literature suggests that “knowledge flows continuously over time” whereas it is more realistic that there is “a pattern of intensive exchange followed by very low or no transfer at all”. This assumption renders the applicability of concepts like Gupta & Govindarajan’s (1991) knowledge-flows based framework disputable.

In an attempt to address these issues, Ambos & Ambos (2007) developed a “model of discontinuous knowledge flow” which can be seen in Figure 12.



**Figure 12: A Model of Discontinuous Knowledge Flow (Ambos & Ambos, 2007)**

This highly simplified model shows an organizational unit in five phases of differing levels of knowledge outflows. During the stages 1, 3, and 5, the unit rests in “creation-mode” while in stages 2 and 4 it actively disseminates knowledge. The authors characterize the stages of creation with a state of local knowledge search, high degree of autonomy, little inference from others and building ties with local stakeholders. Specifically in this mode, units might benefit from isolation and low knowledge outflows. During the stages of dissemination the integration with the rest of the MNC is the focus of attention. Ambos & Ambos (2007) highlight the fact that the critical process when looking at these stages is the transition from one stage to the other. The term “de-integration” has been suggested cautiously for the transition from stage 2 to stage 3 but as for the remaining stages no terms and explanations have been specified so far. Ambos & Ambos (2007) believe that high levels of flexibility in organizational design will be necessary in order for units to move successfully between stages.

Concluding, the authors stress that the model put forward is a “highly abstract sketch of how knowledge flows could be organized” (Ambos & Ambos, 2007) and suggest a new research agenda for knowledge flows in MNCs in order to address current gaps and misconceptions identified earlier.

### **1.3.13. Summarizing & Concluding Remarks on Literature Review**

The body of literature on knowledge transfer is immense and has been continuously growing over the past decades. Despite the abundance of theories, frameworks, and models that have been reviewed in the literature review above, a few core themes reoccur continuously. Many authors agree that most of the important knowledge for organizations is tacit, hence difficult to transfer or sticky (see Nonaka, 1994; Szulanski, 1996; Grant, 1996; Simonin, 1999; Schulz, 2001; Doz et al., 2001; Szulanski & Cappetta, 2003). Furthermore, they agree that people make a company, hence interpersonal relationships and all factors that influence them matter (see Simonin, 1999; Doz et al., 2001; Taylor & Osland, 2003; Szulanski & Cappetta, 2003; Von Krogh, 2003; Cross & Sproull, 2004; Haas, 2006; Makela et al., 2007; Makela, 2007), this implicates the importance of networks (see Andersson & Forsgren, 1996; Andersson et al., 2002; Forsgren et al., 2005; Gärber & Ambos, 2007).

Moreover, not all knowledge transfers are equally beneficial for the company; there is an issue of effectiveness or the assessment of the value of knowledge in context or just relevance (see Grant, 1996; Tsai, 2001; Doz et al., 2001; De Holan & Phillips, 2003; Schulz, 2003; Cross & Sproull, 2004; Ambos née Chini, 2004; Mahnke et al., 2006; Ambos et al., 2006; Haas & Hansen, 2007; Williams, 2007; Fang et al., 2007).

In 1998, a forum on knowledge and the firm at U.C. Berkley's Haas School of Business took place where a number of scholars (Nonaka, Von Krogh, Cole, Adler and many more) shared their opinions and beliefs on knowledge sharing in MNCs. Despite the large contrast between Western approaches, that the "knowledge market [is] driven by pure self-interest" and the Asian idea of a "sharing community inspired wholly by love, care, and generosity" – a consent was reached that the ideal probably lies somewhere in between (Cohen, 1998). Even though, this conference took place a decade ago, I was impressed by the high relevance of discussed issues when looking at current research on knowledge transfer. In Cohen's (1998: 38) concluding remarks he discusses themes being rather "inclusive [...] than exclusive", "combining rather than narrowing" and "more concerned with connections and relationships than conclusions". I strongly support this notion and would like to add something to that. Many Western cultures predominantly focus on hard facts whereas Asian cultures approach things rather from the "soft" side which has led to many past misunderstandings. At the moment, an ongoing trend can be observed where Western cultures are trying to come to a better understanding of Asian cultures in a number of different areas like sports and wellness in addition to business practices. Talking about love, care, and generosity in a business context leaves many Westerners puzzled; I believe the impact of these characteristics when used in the business world has been underestimated. Every company is different – different goals, mission statements, corporate cultures, etc. Therefore, no single recipe exists that can be generally applied. Openness is key. If practitioners were open to a number of possibilities which may drive and impede knowledge transfer, they will eventually find out what can be applied and implemented in their company. All theories, concepts and models discussed above can be relevant; the key is to discover the perfect mix.

With these concluding remarks I would like to close the literature review of this thesis and move on to an empirical case study of a big multinational company.

## **2. Effectiveness of Knowledge Transfers between MNC Subunits in Central Eastern Europe – A case study**

### **2.1. Research Design and Method**

For the empirical part of my thesis, I carried out a case study built on a model developed by Ambos (née Chini, 2004) at a large multinational company with regional headquarters in Vienna. I conducted five semi-structured interviews with HR managers of varying levels. The sample included two subsidiary managers from The Czech Republic and Hungary, respectively, and three managers working at regional headquarters in Vienna.

In the following, I will present an introduction to the case study method as a research instrument including qualitative interviews and interviewing elites, first, then describe the company and address the important role of the HR department. After that, I will look at Ambos' (née Chini, 2004) model in more detail and explain the questionnaire that was derived from it. I will conclude by explaining the interview setting and giving detailed information about the sample.

#### **2.1.1. Research Strategy**

The research strategy consists of the case study method using qualitative interviews with elites. This section is divided into three parts, a theoretical introduction into the case study method, qualitative research interviews and what needs to be regarded when interviewing corporate elites.

#### **The Case Study Method**

“Case study research consists of a detailed investigation, often with data collected over a period of time, of phenomena, within their context” (Hartley, 2004: 323). Yin (2003: 13) defines a case study even more specifically as an “empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”. The case study method is particularly suitable for research questions that “require a detailed understanding of social and organizational processes” (Hartley, 2004: 323). Hartley (2004) calls it rather a research strategy than a method. The unique strength of case studies, as

pointed out by Yin (2003: 8), is “the ability to deal with a full variety of evidence—documents, artifacts, interviews, and observations” often suggesting the use of a multi method study. The major points of criticism when using the case study method can be found in a lack of rigor, a lack of basis for scientific generalization and extensive time investment which often results in massive data accumulation (Yin, 2003: 11). Owing to the challenges discussed above, Yin (2003: 17) highlights the fact that not everybody is “meant, by skill or disposition” to conduct a case study. The author points out several characteristics a skilled researcher should possess, like being able to ask good questions and interpreting the answers, being a good listener, being adaptive and flexible, having a firm grasp of the issues being studied, and being unbiased by preconceived notions (Yin, 2003: 59). Another challenge when conducting a case study is to identify the “gatekeepers” with crucial information within an organization (Hartley, 2004: 327). Moreover, when choosing this research method, a rich literature review prior to the case study is very important or as Hartley (2004: 324) puts it: “The value of theory is key”. It serves as an aid for defining the appropriate research design and data collection and in the end helps the generalization of the results (Yin, 2003: 33). Quality measures for case studies include construct validity, internal validity, external validity, and reliability which can be addressed at differing phases of research (Yin, 2003: 33-39). Furthermore, Yin (2003: 97-106) suggests three principles of data collection to ensure a sound case study research – data triangulation, meaning the use of multiple sources of evidence; documentation of data; and maintaining a chain of evidence, so that “an external observer [...] can follow the derivation of any evidence”.

### **Qualitative Research Interviews**

Qualitative research interviews will serve as the primary data collection tool in the case study at hand. They can be defined as “interview[s], whose purpose is to gather descriptions of the life-world of the interviewee with respect to interpretation of the meaning of the described phenomena” by Kvale (1983: 174 in King, 2004). The goal is to see the research topic from the interviewee perspective; therefore the interviews need to have certain characteristics like a low degree of structure imposed by the interviewer, a predominance of open

questions, and a focus on situations taken out of the real-life-context of the interviewee (King, 2004: 11).

King (2004: 17) stresses flexibility as one of the most important factors when conducting a qualitative interview, for example, flexibility on the side of the interviewer towards the order of questions. Bearing the issue of flexibility in mind, which is a major advantage of this method, it should be noted that it can be used to examine very broad topics and most of the time it is readily accepted by participants. The major disadvantage when using qualitative interviews is the fact that it is very time consuming for the researcher as well as for the interviewee.

### **Interviewing Corporate Elites**

The issue of using corporate elites as informants has been addressed by Welch et al. (2002). An elite interviewee in international business can be defined as “an informant (usually male) who occupies a senior or middle management position; has functional responsibility in an area which enjoys high status in accordance with corporate values; has considerable industry experience and frequently also long tenure with the company; possesses a broad network of personal relationships; and has considerable international exposure” (Welch et al., 2002: 613). The authors stress four factors that need to be regarded when interviewing elites (Welch et al., 2002: 614-616). First, obtaining access to elites can be difficult without an influential “sponsor” and connected to certain costs and probable bias in sampling. Second, managing the *power* asymmetry between interviewer and interviewee is critical, especially avoiding the “hostage syndrome” which unfolds when the researcher overestimates the importance of the interviewee acting too humble during the interview. Furthermore, the authors address seniority, gender, and cultural issues that need to be considered. Third, the degree of *openness* which researchers can expect from elites can vary, owing to tight organizational policies. The fourth issue found in the literature concerns giving *feedback*. Post-interview cooperation has been found to be beneficial for the research project resulting in verification of results and sometimes additional information. However, it has to be noted that findings provided to elites should be adapted in form and style as compared to the focal audience of the research project often being academic peers.

The authors recommend pre-interview preparation on the side of the researcher including acquiring information about the interviewee and the company, the researcher having “the insight of an insider but the neutrality of an outsider”, and sending a final draft as feedback to have the results checked and confirmed by the informant (Welch et al., 2002: 624-625).

*“[T]he research experience [is] a continual balancing act, in which the researcher needs to reconcile the roles of an insider and outsider, subordinate and sounding board, sympathiser and critic, therapist and spy, academic and consultant.” (Welch et al., 2002: 625)*

### **2.1.2. The Company**

For my empirical research, I have selected a big manufacturing MNC with regional headquarters based in Vienna responsible for Central Eastern Europe. The company is headquartered in Düsseldorf, Germany and has 53,000 employees in 125 countries around the world. It operates in three business sectors: laundry and homecare, cosmetics and toiletries, and adhesives technologies. The CEE division holds a leading market position in hair care products, adhesives, and surface technologies as well as in detergents and household cleaners. The company is present in 31 countries throughout the CEE region, the most important subsidiaries being located in Austria, Estonia, Latvia, The Czech Republic, Croatia, Hungary, Serbia and Montenegro, Poland, Romania, Slovakia, Slovenia, Bulgaria, Ukraine, and Russia.

### **2.1.3. The Changing Role of HR**

Since I decided to focus on HR departments in my research, I would like to examine the role of HR hereafter and point to the relative importance of this department when it comes to managing knowledge throughout the MNC.

Formerly known as personnel management, the term Human Resource Management (HRM) also indicates the changing role from a “service deliverer, a management tool” (Holbeche, 1999: 5) to a strategic orientation when it comes to managing “human resources”. People are seen as assets, as “human capital resources which include the skills, competencies, experience and intelligence of employees” (Holbeche, 1999: 10). Holbeche (1999) sees the

challenge of HR practitioners in developing and supporting the aspects of an organization's human resources that can be turned into a competitive advantage for the company. Therefore, HR managers often act as "change agents" to prepare an organization's culture for challenges to come (Holbeche, 1999: 11).

The author defines strategic HRM as having "a clear focus on implementing strategic change and growing the skill base of the organization to ensure that the organization can compete effectively in the future" (Holbeche, 1999: 13).

Organizational learning is seen as a key element of strategic HR and "people are a key resource and a critical element in a firm's performance since they build organizational effectiveness" (Holbeche, 1999: 13).

In an attempt to reengineer HR, the technology-driven approach can be identified. Once a system is implemented, the advantages of this approach include cost reductions and greater efficiency. One of the major pitfalls when using a HR information system is a lack of understanding on the side of the users. To overcome this obstacle a stable line of communication needs to be established to ensure implementation was successful. Holbeche (1999) suggests forming teams for each stage of the implementation process in order to monitor proceedings and measure goals. Such information systems are provided by the company SAP, for example.

To further elaborate the immense flexibility that is needed from a successful HR specialist, Holbeche (1999) lists a range of roles the HR practitioner should be able to adopt – strategist, mentor, talent scout, architect, builder, facilitator, coordinator, and champion of change. The author points to the importance of having the flexibility and awareness of what is needed in a particular situation (Holbeche, 1999: 21).

#### **2.1.4. Culture's Influence – Hofstede's Country Scores**

After reviewing a variety of cultural measures in the theoretical section (see 1.3.5.3), I have chosen Hofstede's (2001) framework for this case study. The main reason was the availability of scores for all countries involved.

Owing to the large variety of nationalities of interview partners, it was decided to include all countries in the cultural assessment, Austria acting as a benchmark

because it is the host country, although no Austrian respondent participated in the case study.

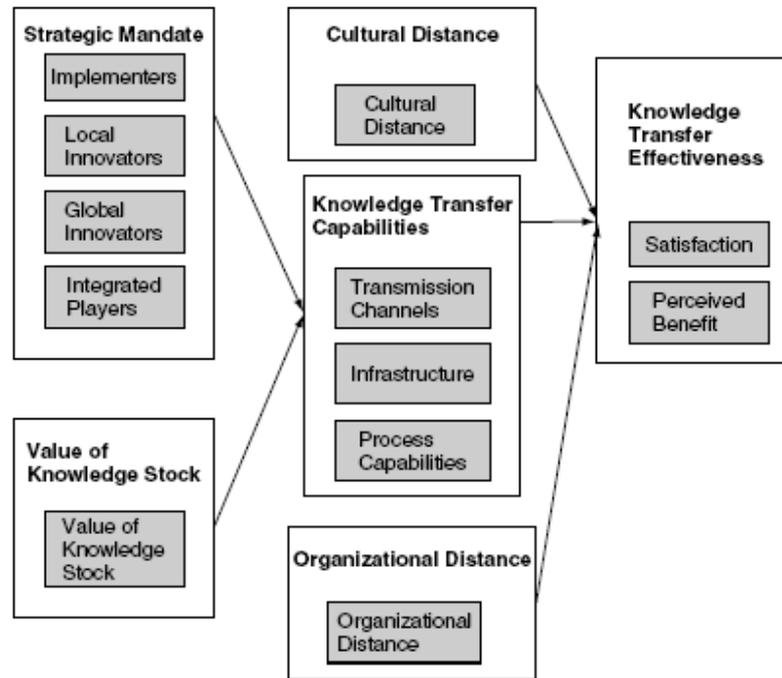
Even though, only Austria and Germany were part of the original study conducted by Hofstede (2001), the author includes the other countries involved in the case study (Czech Republic, Slovakia, Hungary and Russia) in his country score listings as well. These scores are estimates based on various other publications listed in Hofstede (2001). All scores are depicted in Table 5.

<b>Hofstede's (2001) Cultural Dimensions – Scores</b>						
	<b>Czech Rep.</b>	<b>Hungary</b>	<b>Slovakia</b>	<b>Germany</b>	<b>Russia</b>	<b>Austria</b>
<b>Power Distance</b>	57	46	104	35	93	11
<b>Individualism-collectivism</b>	58	80	52	67	39	55
<b>Uncertainty Avoidance</b>	74	82	51	65	95	70
<b>Masculinity-femininity</b>	57	88	110	66	36	79
<b>Long- vs. short-term orientation</b>	13	50	38	31	–	31

**Table 5: Hofstede's (2001) Cultural Dimensions – Scores for 6 countries (Hofstede, 2001: 500-502)**

### **2.1.5. A Model of Knowledge Transfer in MNCs**

In the course of her dissertation, Tina Ambos (née Chini, 2004) developed a conceptual model of the knowledge transfer process across geographically dispersed subunits within the MNC. The central idea of this model suggests that “the transfer of knowledge has to correspond to the strategic network position of the organizational unit as well as to the unit’s internal capabilities to manage knowledge” (Ambos née Chini, 2004: 58). The model consists of six constructs which can be seen in Figure 13.



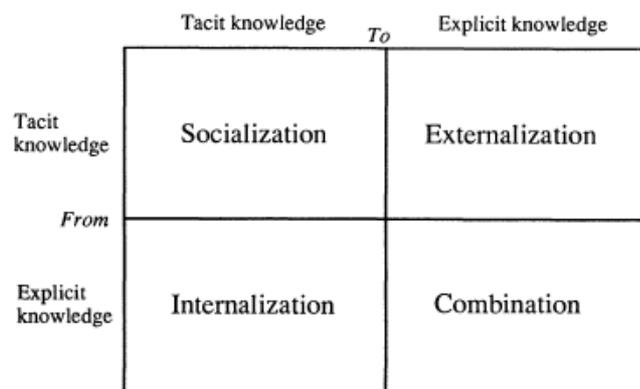
**Figure 13: A Model of Knowledge Transfer (Ambos née Chini, 2004: 59)**

The *Strategic Mandate* (see 1.3.8), following Gupta & Govindarajan (1991), indicates the strategic position of a subunit within the MNC as measured by intensity and direction of knowledge flows (Ambos née Chini, 2004: 58-60).

The *Value of Knowledge Stock* can be described as the unit’s ability to send knowledge, as well as its ability to process incoming knowledge which is also called its “absorptive capacity” (see 1.3.2). It can be measured by self-perception as compared to other subunits (Ambos née Chini, 2004: 60-61).

A company develops a certain “organizational architecture” in order to manage corporate knowledge. Ambos (née Chini, 2004: 61-64) distinguishes transmission channels, infrastructure, and processes in terms of *Knowledge Transfer Capabilities*. Transmission channels can be divided into formal and informal channels, and lateral and vertical channels. Gupta & Govindarajan (2000) suggest that informal channels are important for inter-subsidiary knowledge transfer. One aspect of the knowledge management infrastructure in a MNC is the technological dimension, meaning “technology-enabled ties that exist in a firm” (Ambos née Chini, 2004: 62). This includes “business intelligence (knowledge regarding competition and the broader economic environment), collaboration of individuals within the company and distributing learning, knowledge discovery (discover internal and/or external knowledge),

knowledge mapping (track sources of knowledge), opportunity generation (track knowledge about customers) and security (prevent inappropriate use)” (Gold, Malhotra & Segars, 2001 in Ambos née Chini, 2004: 62). Knowledge processes refer to the modes of knowledge conversion between individual and organizational knowledge as identified by Nonaka & Takeuchi (1995 in Ambos née Chini, 2004: 62-63) – socialization, externalization, internalization, and combination. These modes of conversation can be applied to intra-organizational knowledge transfer – *externalization* happens before units exchange knowledge, *socialization* occurs when sender and recipient interact mutually, *internalization* is used to integrate the knowledge received, and *combination* describes the process when the new knowledge is being processed by the target unit. The above described modes of knowledge creation developed by Nonaka (1994) can be viewed in Figure 14.



**Figure 14: Modes of the Knowledge Creation (Nonaka, 1994: 19)**

Ambos (née Chini, 2004: 64-65) defines effective knowledge transfer with the ability to turn knowledge into a “competitive advantage-yielding capability”. *Knowledge Transfer Effectiveness* can be measured by self-perception trying to capture the perceived benefits from knowledge inflows. According to Ambos (née Chini, 2004) it is influenced by two moderators – organizational and cultural distance.

*Organizational Distance* indicates the “differences between organizational units (headquarters-subsubsidiary, subsidiary-subsubsidiary) in terms of structures, processes and values” (Ambos née Chini, 2004: 65). This construct can be measured by comparing self-perception with the company’s strategic value disciplines in terms of business practices, operation mechanisms, corporate culture, and management style.

*Cultural Distance*, referring to “contextual rules and resources residing in social structures and conventions” (Ambos née Chini, 2004: 66-67) can be measured using the index developed by Hofstede’s (2001) along four cultural dimensions.

#### **2.1.6. Questionnaire Design**

Questionnaires/Interview guides were divided into six sections based on Ambos’ (née Chini, 2004) model – strategic mandate, value of knowledge stock, knowledge transfer capabilities, organizational difference, cultural difference, and knowledge transfer effectiveness. There were two different types of questionnaires, one for subsidiary managers and one for managers working at regional headquarters. Questions for regional HQ managers were based on subsidiary interviews, meaning that each question was posed with regard to all subsidiaries in general, and then the two focal subsidiaries in particular. The goal was to capture a difference in subsidiaries’ and headquarters’ perceptions. In the following, each of the six sections in the questionnaire/interview guide will be explained separately.

- The *strategic mandate* of each subsidiary was determined by means of three questions including frequency of exchanging knowledge in terms of how many times per week/month/year and the direction of these exchanges. Moreover, interviewees were asked to estimate a ratio between incoming and outgoing knowledge.
- *Value of knowledge stock* was measured by asking the interviewees to compare their general knowledge to other subsidiaries and then evaluating four particular areas separately.
- In order to examine *knowledge transfer capabilities*, the interviewees were presented with four knowledge management tools which they were asked to assess in terms of frequency of use – Electronic databases, Telephone directories, Electronic mail and Interpersonal contact. Interpersonal contact refers to face-to-face meetings including conferences and workshops.
- *Organizational distance* was divided into two aspects, organizational culture and formal operational mechanisms, which aimed at capturing a difference in “soft” factors, like attitudes, beliefs and values, and “hard” factors, like routines and practices, respectively.

- *Cultural distance* was measured by perceived influence on the way of doing business and the occurrence of misunderstandings and cultural conflicts. Language as a barrier, although a part of national culture, was measured in a separate question.
- *Knowledge transfer effectiveness* was measured on two scales – satisfaction with past knowledge transfers and perceived benefits from these knowledge transfers.

An additional question was posed to SK-regHQ since she organized the “knowledge exchange” (annual workshop) that took place when the interviews with CZ-sub and HU-sub were scheduled. She was kindly asked to explain the purpose and agenda of this workshop.

#### **2.1.7. Interview Setting & Information on Sample**

The interviews were scheduled via email with the HR director for the CEE region. Due to a conference workshop taking place at regional headquarters in Vienna, managers from all CEE subsidiaries’ HR departments were present. Therefore, the researchers were able to conduct two face-to-face interviews with female HR managers, one from the Hungarian and from the Czech subsidiary.

The interviews took place on the premises of the company. The two researchers were kindly asked to sit in the conference room while the HR director for CEE escorted the two HR managers from Hungary and Czechia into the room consecutively. The interviews were not recorded, so that a more relaxed and open atmosphere could be established bearing in mind the precarious nature of some questions when considering that the answers given will be known by superior managers. Therefore, two researchers were present, one taking the role of the main interviewer and the other focused on taking notes so no important statement was missed. Both interviewees were introduced to us as already being in the company for a longer time period, therefore possessing the required knowledge about knowledge transfers taking place in their departments.

A second interview round was to be held a week later focusing on the HR director for Central Eastern Europe at regional headquarters. Surprisingly, the HR director was so kind to schedule another three interviews, making it a total of four interviews at regional HQ. The interviewers were invited to come to the company premises in Vienna and were presented with a schedule prior to the meeting. The interviews were conducted in the same manner as the subsidiary interviews, one employee of the company seemed to have been put in charge of organizing the interview process, escorting interview partners into the room and keeping the researchers updated about time delays and changes in the schedule.

Unfortunately, the first interview had to be cancelled due to an important meeting at short notice but the other three interviews took place as planned.

Since the researchers were informed about names but not positions of the interview partners, the interviews bore a slight element of surprise. The researchers learned that besides the regional HR director, the vice president and Head of HR CEE as well as the Personnel Development Manager for CEE were to be interviewed. All interviews took place in the conference room, except the last part of the interview with the Personnel Development Manager, since she was expecting a call and asked us kindly to move to her office for the last few questions.

Below, interviewees will be referred to in abbreviated forms including nationality and whether the managers work at one of the subsidiaries or regional headquarters. A detailed description of all participants can be found in Table 6.

Characteristics of Sample					
	CZ-sub	HU-sub	SK-regHQ	D-regHQ	RUS-regHQ
<b>Job title</b>	HR Manager	HR Manager	HR Management CEE	Head of HR CEE	Personnel Development Manager
<b>Mother tongue</b>	Czech	Hungarian	Slovak	German	Russian
<b>Gender</b>	Female	Female	Female	Male	Female
<b>Business language used most often</b>	English	English	English	English	English
<b>Tenure at company</b>	2.5 years	6.5 years	16 years (13 years at reg. HQ)	17 years (7 months at reg. HQ)	2.5 years
<b>Subsidiary Age</b>	15 years	20 years	-	-	-
<b>Subsidiary established as</b>	Greenfield operation	Mixed (integration of many companies)	-	-	-
<b>Department size (number of employees)</b>	2 full-time, 1 part-time	8 full-time	-	-	-

**Table 6: Characteristics of Sample**

## **2.2. Results and Discussion**

This section will be divided into three parts – a detailed report on results from the interviews conducted, a comparison of results to Ambos' (née Chini, 2004) findings and cultural interpretations of the interviews following Hofstede's (2001) cultural dimensions and country scores. Interviewees will be distinguished by abbreviations indicating nationality and place of work, detailed descriptions can be found in Table 6.

### **2.2.1. Interview Results**

Interview results will be divided into six subsections following the questionnaire/interview guide, each of which will be discussed separately hereafter.

#### **Strategic Mandate**

In terms of frequency of knowledge exchange, differing answers were presented by the two subsidiary managers. CZ-sub indicated to exchange knowledge more frequently (3 times per week) compared to HU-sub (3 times per month). However, both subsidiaries exchange more knowledge vertically than horizontally suggesting the strategic mandate of an "Implementer", characterized by low outflows and high inflows of knowledge (see Gupta &

Govindarajan, 1991), from the viewpoint of the subsidiaries. CZ-sub estimated a ratio of 80:20 – in:out and HU-sub believed it was 70:30 – in:out.

This interpretation was validated by SK-regHQ and RUS-regHQ who both provided mirroring ratios as answers to this question. A rather different answer was presented by D-regHQ who believed in- and outflows of knowledge to be on the same level (50:50 – in:out) suggesting the strategic position of an “Integrated Player”. However, all three HQ managers referred to the subsidiaries as “quite independent” which might point to the strategic position of a “Local Innovator”. Summing up, answers in this area were quite ambiguous and although it can be assumed that both subsidiaries have a similar strategic mandate in the company, it could not be ultimately determined.

As for knowledge exchanges at regional HQ, quite diverging answers could be obtained from the managers. While SK-regHQ and D-regHQ both declared to exchange knowledge everyday, RUS-regHQ seemed to exchange knowledge only once a month. This answer was explained by an example of a Russian subsidiary where the interviewee said “Irena knows what she’s doing” which suggests a high level of trust put into subsidiaries. D-regHQ pointed out that the less frequent knowledge exchange with CZ-sub is due to the fact that the subsidiary reports to his colleague SK-regHQ. This could not be validated with her answer to the same question where she stated exchanging knowledge with HU-sub twice as much as with CZ-sub. However, other reasons could be responsible for this result, bearing in mind that there seemed to be a relatively relaxed and trustful relationship between the representative of CZ-sub and SK-regHQ who also communicated using both their mother tongues.

As for RUS-regHQ, knowledge sharing with subsidiaries seemed to be much less frequent in general. She declared to exchange more knowledge with the Hungarian subsidiary at the moment owing to a change in HR and the implementation of a new development center there. Furthermore, she stated to involve the two focal subsidiaries more often in knowledge exchanges than, for example, the subsidiary in Ukraine, where “no knowledge comes from”. This notion was shared with CZ-sub who also mentioned that she thinks knowledge and expertise is probably higher “the further you go west”, giving the example of “Ukraine having not much knowledge compared to Austria/Germany”. In

general, RUS-regHQ believed that some subsidiaries just ask closer MNC representatives, providing the example of Kazakhstan rather asking Moscow for help than Vienna although being part of the CEE region and officially reporting to regional HQ in Vienna. In terms of knowledge exchange ratios, she distinguished between projects that start at regional headquarters (HQ) in Vienna (20:80 – in:out) and projects that are just implemented by Vienna coming from corporate HQ (10:90 – in:out).

### **Value of knowledge stock**

Surprisingly, self-perception of value of knowledge stock differed significantly between the two subsidiary managers. While CZ-sub was very fast with evaluating their level as absolutely equal compared to other subsidiaries, HU-sub responded, remarkably confident about the high level of her department's knowledge stock, with "in the upper quartile" which can be translated into much higher. This notion by HU-sub was kept throughout each of the four areas asked about in more detail. Even when it came to the implementation of the electronic database (SAP), which recently took place and where CZ-sub stated not being very happy and having troubles, HU-sub responded self-confidently: "once implemented, people know how to work it". CZ-sub's answers to the four areas were all rather cautious, evaluating the level of knowledge mostly lower compared to other subsidiaries. However, the answers might have been slightly biased since CZ-sub considered people as knowledge stock, with less people working in the particular area; value of knowledge stock was perceived lower. In addition, it also needs to be noted here that the interviewee indicated not exchanging much knowledge with other subsidiaries in general, therefore a comparison on a horizontal level should be handled with care.

The immediate reaction by regional HQ managers when asked to evaluate knowledge stock at regional HQ compared to subsidiaries was confusion towards the specification of what type of knowledge was concerned. The answers included "the question is the type of knowledge", "this is hard to answer" and "I cannot compare". All three interviewees agreed on subsidiaries possessing a higher level when it comes to knowledge about local business, laws and regulations while HQ has a higher knowledge stock concerning key

information, implementations from corporate HQ and strategy alignment. There was no difference between the two focal subsidiaries perceived by regional HQ when it came to comparing their knowledge stocks.

Except of SK-regHQ, who evaluated level of knowledge stock being slightly lower at subsidiaries in every single of the following areas, a pattern could be identified when looking at the answers from the other two interview partners from regional HQ. Both assessed value of knowledge stock in *attracting new talent* (4.a.) and *candidate selection process* (4.b.) higher when compared to *employee training* (4.c.) and *electronic HR systems* (4.d.). In combination with the answers from subsidiaries it can be assumed that *attracting new talent* (4.a.) and *candidate selection process* (4.b.) are the responsibility of subsidiaries, thus localized, while *employee training* (4.c.) and *electronic HR systems* (4.d.) are standardized across the company, therefore coordinated and organized from regional or corporate HQ.

At question 4.a., D-regHQ also differentiated between more localized knowledge being higher at subsidiaries (“what universities to go to”) and knowledge about personnel recruitment tools being higher at regional HQ.

RUS-regHQ assessed locally implemented knowledge (4.a. & 4.b.) even higher when compared to the other interviewees. She seemed to put much confidence and trust into what subsidiaries do in this area. She even corrected herself, first mentioning regional HQ giving a general outline on, for example, how many new people to hire, but then she said: “Maybe not even that”. When it came to *candidate selection process* (4.b.), RUS-regHQ strongly stressed it depending on the specific country; however, she did not make out a distinction between the two subsidiaries under inspection. At question 4.c. (*employee training*), RUS-regHQ indicated that most countries cannot afford to have a training manager and therefore just have a generalist. D-regHQ talked about this area being internationally organized therefore knowledge stock at HQ was assessed higher. When asked to compare the two subsidiaries under inspection, RUS-regHQ said this was “difficult to assess” owing to a personnel change at the Hungarian subsidiary but, nevertheless, she was sure to rate the Hungarian subsidiary higher when compared to the Czech subsidiary. In terms of *electronic HR systems* (4.d.), SK-regHQ pointed out that the key SAP specialist was sitting in Vienna which contributed to a higher knowledge stock of regional

HQ in this area. It needs to be noted that SAP implementation was still ongoing while this study was conducted.

### **Knowledge transfer capabilities**

In the course of the interviews it emerged that a week from the time of the study an electronic database for communication within the MNC was to be introduced, however, at the time of the interviews, the answers to this question were mostly referring to a kind of payroll database that was widely used in the company. This payroll database seemed to be used daily by subsidiary, as well as HQ employees.

A telephone directory built in the phone on each employee's desk was also stated to be used everyday by all interview partners. When used for regional HQ communicating with the two focal subsidiaries there were slight differences only between D-regHQ and SK-regHQ which was probably due to the fact that the Czech subsidiary reports to SK-regHQ and the Hungarian to D-regHQ. RUS-regHQ stated that she was communicating more frequently with the Hungarian subsidiary at the moment owing to the new project she had already mentioned before. Furthermore, RUS-regHQ indicated mostly using a personal "hotline", which she explained by having the numbers of a few key persons saved on her mobile phone so she can stay in regular contact with these specific people whenever there is a problem or a "hot topic". When she talked about this issue, she referred to the concerned people by name which indicates that building a personal relationship seems important to her in order to engage in an intensive knowledge exchange.

Communication via electronic mail seemed to be even more popular according to the answers of all interview partners. It was used more often when directly compared to communicating via telephone, HU-sub estimated a ratio of 80:20 – email:telephone. A difference between frequency of communication with subsidiaries (CZ reporting to SK-regHQ and HU reporting to D-regHQ) could not be observed in the answers to this question, both managers stated to use email when communicating with both subsidiaries once a week. RUS-regHQ pointed out a slight difference between communication manners of the two subsidiaries, saying that it usually takes the Hungarian subsidiary longer to answer emails

but also stating that this was probably due to the personnel change taking place there at the moment.

In terms of interpersonal contact including face-to-face interactions (e.g. conferences and workshops), the two subsidiary managers were asked to differentiate between contact on a vertical and on a horizontal level. It seemed that there was no interpersonal contact between subsidiaries without the initiation of regional headquarters and regional HQ representatives present. Overall, there are 2-3 annual workshops for all subsidiaries; this includes the workshop that took place when interviews with subsidiary managers were scheduled.

Interestingly, answers regarding contact on a vertical basis diverged slightly. CZ-sub indicated to have interpersonal contact five times per year and regional HQ managers talked about 6-8 times per year. D-regHQ and RUS-regHQ both stated that more interpersonal contact took place last year with the subsidiary in Hungary due to the new project, that was mentioned several times before. SK-regHQ explained that in addition to the annual workshops, regional HQ schedules two special meetings with each subsidiary every year. For the subsidiaries under inspection, she specified seven annual meetings in some form, however, she pointed out that both subsidiaries were quite independent and frequency of meetings is strongly depending on the particular subsidiary.

### **Organizational distance**

Both subsidiary managers indicated no difference existing when local organizational culture was compared to regional HQ. However, regional HQ's perspective differed slightly, two managers stated a minor difference and D-regHQ even talked about a significant difference. D-regHQ, however, seemed to have troubles answering this specific question, stating "I cannot readily explain the difference between HQ and subsidiaries", his response of "significant difference" was explained by the statement: "due to the fact that people [at regional HQ] travel like hell, it's more like a virtual community here, not a family". When directing the focus on the two subsidiaries under inspection, SK-regHQ responded experiencing no difference at all.

In terms of formal operational mechanisms CZ-sub indicated to experience no difference while HU-sub said there was some difference. Answers of regional

HQ managers differed among one another, varying from “no difference” to “some difference”. On a horizontal level, CZ-sub stated experiencing no difference while HU-sub responded quite differently. In accordance with her colleague, HU-sub indicated feeling no difference in organizational culture but a big difference in formal operational mechanisms. However, this answer might have been biased owing to some confusion with the term “organizational culture”; she mentioned laws and regulations that differed from country to country explaining the huge perceived difference in formal operational mechanisms.

Moreover, regional HQ managers were asked to estimate the perceived difference in both aspects of organizational distance between subsidiaries. Answers differed only slightly, stating “some difference” for organizational culture and “no difference” or “minor difference” in formal operational mechanisms. However, managers had difficulties comparing all subsidiaries, saying that subsidiaries have “different focuses” and it was therefore “hard to distinguish”.

### **Cultural distance**

The degree of perceived influence of national culture differed among interviewees, ranging from “not at all” to “a good deal”. SK-regHQ remarked having troubles with answering this question, since, having an education in the field of psychology rendered it hard for her to make general statements about departments, subsidiaries or countries in terms of culture and she said to be inclined to see every person individually taking personality into account more strongly. Suspecting a bias in terms of educational background here, it needs to be noted, that D-regHQ also holds a degree in psychology and did not mention difficulties assessing the influence of culture.

When looking at misunderstandings and cultural conflicts, all managers stated such incidents happened less than once a year. In the case of the two subsidiaries under inspection; regional HQ managers even said that something like that has “never happened” before and was “not an issue”. However, cultural conflicts of some sort seem to have happened before since HU-sub and D-regHQ could readily think of some – D-regHQ even said “I could give you some

nice examples”, unfortunately he did not share these presumably interesting anecdotes with the interviewers.

RUS-regHQ suggested a different way of posing the questions in this area, saying that she believes “culture influences misunderstandings and conflicts a little”.

In terms of language, all interview partners stated that it was very important to speak the same language; however, there were absolutely no problems in this area. The only exception was D-regHQ who indicated having a slight problem with the Hungarian subsidiary, assuming there might be some difficulties with speaking English there. CZ-sub pointed out that for many young employees at her subsidiary the language barrier was even less of a problem, since having an international company as the first employer provides them with advantages in terms of adaptability.

### **Knowledge transfer effectiveness**

CZ-sub had obvious troubles thinking about the last three knowledge exchanges her department was involved in, so the interviewers helped out with suggesting an earlier mentioned problem with SAP when a specialist at regional headquarters was contacted; this was an exchange on a vertical basis. Bearing this knowledge exchange in mind, the interviewee indicated having been very satisfied, though, when it came to assessing benefits she evaluated this knowledge exchange as “good deal beneficial”, she actually corrected her initial answer (“very beneficial”). HU-sub had no problems thinking about the last three knowledge exchanges and it was apparent that she had not been equally happy with all of them. She stated having been “relatively satisfied” with the knowledge exchanges but was very clear about perceiving them as “very beneficial” to her department.

Regional HQ managers all shared an answer to the question of satisfaction with past knowledge exchanges being “good deal satisfied”. When considering the focal subsidiaries, both SK-regHQ and D-regHQ indicated being “very satisfied” with knowledge exchanges. In terms of benefits, answers differed. D-regHQ evaluated them as “very beneficial”, while SK-regHQ assessed knowledge exchanges with both subsidiaries as “good deal beneficial”. Also, while SK-

regHQ could easily think of the last three knowledge exchanges she or her department was involved in, labeling them as “very smooth and accurate”, D-regHQ thoroughly thought about the question and wrote the last few knowledge exchanges he could think of down on a notepad. Furthermore, SK-regHQ remarked that in terms of measuring satisfaction and benefits, perception of subsidiaries would be of importance. Obviously still thinking about this last question, SK-regHQ sought out the interviewers after the interview was already over adding that “some information might not seem useful for the subsidiaries but HQ knows that it is important”.

In terms of knowledge transfer effectiveness, RUS-regHQ labeled past knowledge exchanges with the Czech subsidiary as “good deal satisfied” and “good deal beneficial” and with the Hungarian subsidiary as “relatively satisfied” but “good deal beneficial”. This indicates a slight difference between these two subsidiaries, which might be traced back to the earlier mentioned personnel change in Hungary.

As for the purpose and the agenda of the workshop that took place when CZ-sub and HU-sub were present, SK-regHQ explained that it was a regular meeting with “key HR colleagues in CEE”. The main tasks included setting an orientation and outlook for the coming year, exchanging knowledge in both directions and networking. The workshop began with a keynote which tackled focuses, strategy and recruitment issues. A part of the workshop was labeled “just share it” and three projects from different units were presented. Moreover, operational things were discussed in the course of the workshop as well, like an implementation of a new database and an upcoming salary round. SK-regHQ said: “Basically, it is about saying everything that is difficult to say by email and can’t be done otherwise”. This statement strongly points to the high relevance of managing tacit knowledge sharing within this MNC.

Concluding, it can be said that all participating managers seemed to be very committed to the purpose of the study. Some interviewees even started to reflect on certain issues related to knowledge sharing. For example, a conversation between SK-regHQ and D-regHQ could be observed after the

interviews were over where they talked about various issues that had been brought up during the interviews.

### **2.2.2. A Comparison of Results**

Ambos (née Chini, 2004) conducted a quantitative study about the effectiveness of knowledge transfer in multinational corporations. Based on a model developed by Ambos, a questionnaire was composed which mostly consisted of 7-point Likert scales. The questionnaire was sent out via mail to participants. Ambos' sample consists of 162 units that belong to 45 MNCs which operate in various industries in 29 countries. Out of 38 HQ units, 14 can be considered regional headquarters.

This section will be divided into the six areas of the original model by Ambos, hence the questionnaire/interview guide of the present study.

#### **Strategic Mandate**

Across subsidiaries, "Integrated Players" (46%) and "Local Innovators" (35%) dominated the sample of Ambos (née Chini, 2004). "Implementers", which is the suggested strategic mandate of the two subsidiaries in this sample in terms of perceived number and direction of knowledge flows by the two focal subsidiaries, were only represented by a very small number of subsidiaries (11%) in Ambos' sample.

Ambos' results further indicate that regional headquarters largely show a similar pattern in strategic roles when compared to subsidiaries. This finding could not be compared to the results at hand, since no information about knowledge exchanges between regional headquarters in Vienna and corporate headquarters in Düsseldorf was obtained.

#### **Value of knowledge stock**

In Ambos' (née Chini, 2004) sample, most subsidiary units indicated to have a higher value of knowledge stock when compared to other subsidiaries. In the present study, the two subsidiaries' perception of knowledge stock differed significantly – HU-sub assessed their department's knowledge stock significantly higher while CZ-sub rated it about equal with a tendency to lower assessments across areas.

To calculate the value of a unit's knowledge stock for comparison with results obtained by questionnaire, Ambos used a formula introduced by Gupta & Govindarajan's (2000). Knowledge stock is calculated taking into account a unit's relative size, the mode of set up and relative level of economic development in the host country.

Using these factors as indicators could explain some results of the present study since the Czech subsidiary was established as a Greenfield operation whereas the Hungarian subsidiary was formed by integrating a number of companies. Furthermore, the subsidiary in Czechia was "younger" (15 years) than the subsidiary in Hungary (20 years) and also consisted of less people (2 full-time, 1 part-time) compared to Hungary (8 full-time) (see Table 6). However, it needs to be noted that a number of other factors could have influenced results and the suggested interdependence can only be hypothesized owing to the small sample size of this study.

Regional HQ managers divided their assessment in this area into the types of knowledge involved – localized knowledge (e.g. about local business, laws and regulations) was clearly assessed higher at subsidiaries, whereas centralized knowledge (e.g. about key information, implementations from corporate HQ and strategy alignment) was evaluated higher at regional HQ. These findings differ from Ambos' findings, where headquarter units perceived their knowledge stock higher in all areas. However, research method should be particularly regarded at this point since the qualitative character of the study at hand opened the possibility for interview partners to comment on their answers.

Ambos' generalization that units tend to overestimate their knowledge stock could not be confirmed by the findings of the present study.

### **Knowledge transfer capabilities**

Ambos (née Chini, 2004) divided knowledge transfer capabilities into transmission channels, knowledge management infrastructure and knowledge transfer processes. The study at hand concentrated on knowledge transfer processes, hence frequency of use of the most common communication tools including electronic means (electronic databases, telephone and electronic

mail) and interpersonal contact (face-to-face contact in the form of conferences or workshops on a vertical and horizontal level).

Ambos' results showed that face-to-face meetings were used by managers most frequently while very technology-intensive instruments were used rather infrequently. A frequency ranking of usage of tools in the present case study would be: 1.) Electronic mail, 2.) Telephone, 3.) Face-to-face meetings, and 4.) Electronic databases. These results do not corroborate Ambos' stated predominance of face-to-face meetings for knowledge transfer in MNCs.

Furthermore, Ambos assigned knowledge transfer tools to Nonaka's (1994) knowledge conversion process stages. When exerting a similar attribution with the knowledge transfer tools included in this case study, electronic mail and telephone would be part of *socialization*, databases would correspond to *combination*, and interpersonal contact in the sense of workshops and conferences would be a combination of *socialization* and *internalization*. Comparing results now, after assigning knowledge transfer tools, it appears that they differ significantly. While *internalization* and *combination* were used significantly more often in Ambos' sample, *socialization* dominates in the study at hand across units followed by *internalization*.

### **Organizational distance**

Ambos' (née Chini, 2004) results indicate that formal operational mechanisms were perceived more similar across subsidiaries whereas organizational culture seemed to be more similar between headquarters and subsidiaries. Furthermore, headquarters were asked to assess culturally close and culturally distant subsidiaries, which resulted in HQ perceiving culturally close subsidiaries more similar in both, formal operational mechanisms and organizational culture than culturally distant subsidiaries.

Answers in this area differed very significantly across all five participants in the present study. Therefore, I believe a generalizing interpretation would be misleading and I will refrain from doing so stressing the limited scope of this case study.

### **Cultural distance**

Ambos' (née Chini, 2004) findings in this area were quite clear indicating that managers perceived national culture as heavily influencing the way of doing business but did not believe misunderstandings and cultural conflicts acted as impediments to knowledge transfer between units across country borders. Also, language differences were not regarded as a major obstacle by managers in Ambos' sample.

As for this study, managers did not agree on the degree of national culture's influence on the way of doing business, however, a tendency towards assessing national culture's influence rather low could be observed. Misunderstandings and cultural conflicts, although they seem to occur from time to time, were not considered impediments to knowledge transfer. Furthermore, language was not perceived as a major obstacle, which aligns well with Ambos' results.

### **Knowledge transfer effectiveness**

In the analysis in this area, Ambos (née Chini, 2004) distinguishes between types of knowledge, headquarters, culturally distant and culturally close subsidiaries. Results point to the fact that benefits from transfers from different units were perceived differently and knowledge transfers from headquarters were perceived most beneficial to subsidiaries.

Since questions in the study at hand aimed at the last three knowledge transfers the department was involved in, not specifying type of knowledge or direction of knowledge flow, a comparison with Ambos' results appears difficult and therefore will not be undertaken.

As for satisfaction with knowledge management, Ambos looked at speed and clarity of knowledge transferred. Again, a distinction on this level was not made in the present study.

However, Ambos concludes that, all together, managers tended to be satisfied with knowledge management in their companies and this can be said for participants in this case study as well, since no major discrepancies between satisfaction with and benefits from knowledge transfers could be identified and, overall, answers ranged in the positive half of the spectrum.

### **2.2.3. Cultural Interpretations following Hofstede (2001)**

This section will be divided into a discussion of the occurrence of each dimension in all five interview partners referring to the home countries of participants. The nationalities in the sample include: German, Russian, Czech, Slovak and Hungarian. Austria serves as a benchmark since all managers either work in this country or report to a corporate subunit located in this country.

#### **Power Distance**

Power distance will be measured by the way interviewees talked about their colleagues during the interview and observations of interactions with colleagues while the interviewers were present at regional headquarters in Vienna.

Hofstede's (2001) power distance score for Austria (11) is the lowest throughout his original sample. This suggests surrounding conditions in the Vienna office being rather relaxed in this area.

This was confirmed by several interactions that could be observed by the interviewers, including the way SK-regHQ dealt with HR managers from The Czech Republic and Hungary. It needs to be noted, however, that SK-regHQ and CZ-sub were able to communicate in their mother tongues suggesting an even more relaxed atmosphere in their interactions. Furthermore, an interaction between SK-regHQ and D-regHQ could be observed where they were talking about the interviews, which was characterized by a very relaxed and open conversation manner. Power distance of RUS-regHQ can be assumed to be rather low since she was demonstrating high confidence in her colleagues in various subsidiaries ("Irena knows what she's doing"), however, the way she talked about new colleagues in Czechia suggests that her trust needs to be earned. She might exhibit a high power distance with her colleagues in the beginning, but once an interpersonal relationship is established, power distance probably drops.

As far as knowledge transfer between regional HQ and subsidiaries is concerned, it could be observed that bulk part of knowledge is flowing from headquarters to subsidiaries and is then implemented by subsidiaries. This points to a high power distance since knowledge flows seem to follow a clear hierarchical structure.

At this point, I would like to include a different kind of assessment in terms of power distance. During the interviews, very strong differences in the behavior of interviewees and the treatment of the interviewers could be observed which partly correspond to country scores obtained by Hofstede (2001). Therefore, I would like to include these observations in this section, however, it needs to be born in mind that this was a highly subjective situation and interpretations need to be regarded with much caution.

The very low power distance (35) for Germany could be confirmed by the very open and relaxed atmosphere that was instantly created when D-regHQ entered the room. He presented himself as very open and treated the interviewers as equal interlocutors and used a rather informal language. He even directed the conversation into more private matters after the interview was over, like asking how long it would take to finish a thesis and then talked about his own experiences when writing his master thesis.

SK-regHQ exhibited a rather high power distance compared to the other interviewees, only RUS-regHQ's power distance was rated higher. Although SK-regHQ was very helpful and cared a lot about the well-being of the interviewers and the smooth proceedings of the interviews, she always kept a safe distance that could be felt by both interviewers. She conveyed a very professional impression, both by looks and attitude. This corresponds to the high power distance rating (104) by Hofstede (2001), however, the slightly higher power distance when compared to Russia (93) could not be confirmed by the observations during the interview.

RUS-regHQ's power distance was rated the highest among the sample of the present case study. She acted very resolute and very confident of herself and her position. She demonstrated her "power" by questioning the purpose of the interview on several occasions and at a certain point, when not getting a satisfactory explanation by the interviewer, she took the interview guide out of the interviewer's hands and read the particular question herself in order to get a better understanding. This action can be interpreted as a strong display of power.

CZ-sub's power distance was assessed rather low during the interview. The beginning of the interview resembled D-regHQ's interview atmosphere. She

presented herself as very open and laid-back. One of her first statements was: “You can ask me anything”. However, power distance increased during the course of the interview, when she got under time pressure she “took the lead” in the interview, reading the questions herself. It needs to be noted that she was the only participant who was handed an interview guide to begin with which put her in an almost equal position with the interviewer in terms of power. The corresponding score by Hofstede (2001) for Czechia is 57 which is right in the middle when compared to the other countries in Hofstede’s (2001) sample. This score could be confirmed only partly with her power distance during the interview rated as rather low compared to the other countries.

Hofstede’s (2001) score for Hungary being 46 and with that occupying the third lowest rank in terms of power distance could not be matched by observations during the interviews. There, power distance was rated rather high. The interviewee acted very professional and very reserved in the beginning of the interview, waiting and assessing the fashion of the interview as well as the topics asked about, first. During the course of the interview she became more relaxed, however, answered each question professionally, politely and self-confidently – always keeping a safe power distance between the interviewer and herself, or so it seemed.

### **Individualism vs. Collectivism**

In this dimension few observations for solid interpretation could be made by the interviewers. According to Hofstede (2001) all countries under inspection converge in the medium range, except for Hungary which is assessed as highly individualist with a score of 80. The most collectivist country in the Hofstede’s (2001) sample is Russia with a score of 39. Hungary’s highly individualistic nature could not be confirmed by observations during the interview, however, there were some indicators corroborating Russia’s low score. For example, RUS-regHQ indirectly stressed the importance of good relationships with some key persons, with whom she claimed to communicate via “hotline” (numbers saved on her mobile phone) whenever a problem arises. This might be an indicator for the importance of teamwork with these key persons and therefore a rather collectivist nature of RUS-regHQ.

### **Masculinity vs. Femininity**

The interpretations in this dimension might be slightly biased because the sample in the case study consisted of four women and just one man. In general, the organizational culture seemed to be rather feminine, since the importance of interpersonal relationships was mentioned by the interviewees and could be observed by the interviewers on several occasions. Especially RUS-regHQ stressed the importance of interpersonal relationships which corresponds to the low country score for Russia (36) that was obtained by Hofstede (2001). Among the other interviewees, no particular differences in this dimension could be observed which also means that Hofstede's (2001) high score for Slovakia (110) as opposed to Russia (36) could not be confirmed.

### **Uncertainty Avoidance**

Since there were no indicators for the level of uncertainty avoidance in the answers of the interviewees – this dimension shall be measured by the way interviewers reacted to individually perceived clarity or ambiguity of questions.

One interviewee stood out particularly – RUS-regHQ wanted every question to be explained very clearly so there was no room for ambiguity. This could be translated into a high uncertainty avoidance which corresponds to Hofstede's (2001) high score for Russia (95). When looking at the intensity of explanations asked for by interviewees, a pattern for uncertainty avoidance could be identified. Fewest explanations were asked by SK-regHQ which is also the country with the lowest uncertainty avoidance (51) in Hofstede's (2001) country scores. The remaining country scores obtained by Hofstede (2001) all converge towards the middle range, between 65 (Germany) and 82 (Hungary). In order to explicitly confirm or discard these scores, no adequate observations were made during the interviews. The most general observation was an appropriate amount of explanations asked by the interviewees from these countries.

### **Long Term vs. Short Term Orientation**

In this dimension room for interpretations is scarce since little data was obtained in the area. Hofstede (2001) provides scores for all countries but Russia – Czechia (13), Hungary (50), Slovakia (38), Germany (31) and Austria (31). This suggests that Czechia is rather short-term oriented, whereas Hungary is the

most long-term oriented country. During the interviews, some information about several on-going projects was provided. This might point to a more long-term orientation of the organization as a whole. Individual differences between interviewees in this dimension could not be observed by the interviewers.

### **2.3. Conclusion, Limitations and Implications**

#### **Concluding Remarks**

The goal of this case study was to exhibit an insight into current knowledge transfer practice in a multinational company with a focus on factors that influence effectiveness of knowledge flows. Starting with a general overview of organizational knowledge, the research topic was narrowed down constantly resulting in the identification of a few reoccurring themes that seem to influence knowledge transfer in MNCs. Acknowledging the individual nature of each MNC and bearing an element of flexibility in mind, no general formula can be presented for an effective knowledge transfer within the MNC. It is rather a composition of a number of individually different factors that determine success in this area.

Using a model developed by Ambos (née Chini, 2004), a questionnaire/interview guide was compiled and tested empirically in a German multinational company holding an extensive CEE division with regional headquarters in Vienna, Austria. Two subsidiary representatives from The Czech Republic and Hungary, respectively, and three managers of different nationalities (Slovak, Russian and German) working together at regional headquarters formed the sample. Results were gathered from three different angles – an overall interview report, a comparison with earlier results obtained by Ambos (née Chini, 2004) and a cultural analysis following Hofstede's (2001) index.

The most important findings and implications shall be summarized hereafter.

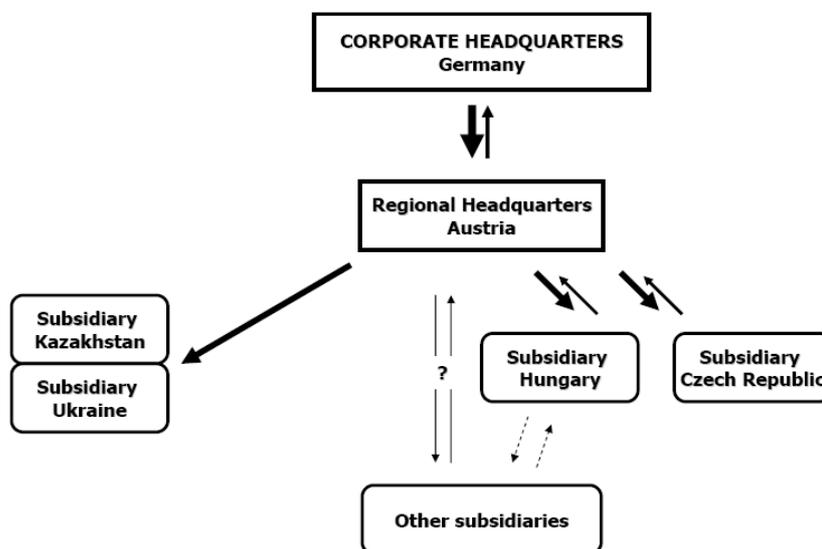
- According to direction and intensity of knowledge flows both subsidiaries seemed to hold the strategic position of an “implementer”. However, a number of contradicting statements was obtained from interviewees suggesting that the full potential of both subsidiaries might not yet be tapped.

- In terms of value of knowledge stock, surprisingly strong differing self-perceptions were stated by subsidiaries. When taking into account subsidiary age, set-up mode and department size, this may provide an explanation of the results in this area, corroborating Gupta & Govindarajan's (2000) calculation method for the value of knowledge stock.
- The consistency among participants from regional headquarters when it came to evaluating the knowledge stock at regional HQ compared to subsidiaries was remarkable, all refused to give a generalizing answer and pointed out the importance of distinguishing the type of knowledge involved. Furthermore, a clear line could be drawn from answers by all five interviewees concerning which activities are apparently local responsibility and which ones are centrally coordinated.
- A growing importance and use of electronic information systems was detected within the company since at the time of the study an IT system (SAP) had been installed recently while an electronic information system for communication within the MNC was to be implemented a week following the study.
- In terms of subsidiary autonomy and the role of HQ, it appeared that regional headquarters exhibited strong control on the subsidiaries. For example, no face-to-face contact was established among subsidiaries without the initiation of regional headquarters and a regional headquarters representative on-site. Furthermore, knowledge exchange on a pure horizontal basis seemed to be almost inexistent all together.
- Owing to the high diversity of national cultures that was present in the sample, it can be said that cultural differences did not seem to influence effectiveness of knowledge transfers significantly. Moreover, language differences were not perceived as problematic since everybody indicated to speak English.
- The predominance of knowledge management tools assigned to Nonaka's (1994) socialization stage was surprising since no exchange of explicit knowledge is involved at this stage. The MNC seems to be presented with the challenge to manage this predominance of tacit knowledge exchange. However, the company also seems to be aware of

this, as the description of the workshop taking place at regional headquarters in Vienna indicated.

- A discontinuity of knowledge flows as suggested by Ambos & Ambos (2007), could be detected since participants mentioned at several occasions that frequency of knowledge transfer depended strongly on circumstances like the implementation of a new project or a change in personnel. Testing Ambos & Ambos' (2007) model of discontinuous knowledge flows would be an aspirational undertaking.
- Network position, hence embeddedness seemed to have a large impact on knowledge transfer owing to reoccurring statements by interviewees that some subsidiaries were less included in the knowledge sharing network. More testing in this area would be interesting, for example in terms of Monteiro et al.'s (2008) findings that perceived evaluation of a subunit has an impact on knowledge flows.

Altogether, a pattern of knowledge transfer at the MNC investigated could be derived as seen in Figure 15.



**Figure 15: Knowledge transfer patterns**

Knowledge flows predominantly from regional headquarters to subsidiaries, which is indicated by the thickness of arrows. Knowledge flows between corporate headquarters and regional headquarters were not focused upon in this case study, but since they were mentioned several times during the interviews, they are included in the model. Knowledge flows from subsidiaries to

regional headquarters are significantly lower and between subsidiaries virtually inexistent. The dotted lined arrows address HU-sub's reference to "some" knowledge exchange on a horizontal level. The positioning of subsidiaries indicates "closeness" to regional headquarters since it was stated on several occasions that the Hungarian and Czech subsidiaries were more involved in knowledge exchanges than, for example, subsidiaries in Kazakhstan or Ukraine.

The model summarizes overall results from the case study. The interpretation of it probably differs depending on who looks at it. Somebody from corporate headquarters might be happy about the constant and thick arrows (knowledge flows) leading from corporate HQ to regional HQ and then to all units. A regional headquarters representative might look at it with satisfaction because the primary objective of regional HQ is to implement strategies and goals set at corporate or regional headquarters. Subsidiary representatives might look at the model and believe the knowledge transfer pattern is exactly how it needs to be because it is what the MNC wants subsidiaries to do.

However, somebody from outside might look at it and wonder why the arrows are of differing thickness, length and why some of them are missing.

When I started to write this thesis, I did not know much about knowledge transfer in MNCs. I expected to gather some theoretical knowledge from a number of journals and books and test the theories and models empirically later. When asked about expected findings, I suspected to find much "knowledge movement" on a vertical level, however, little evidence of horizontal knowledge flows.

Now, at the end of my research, some of these expectations have proven to be true. Maybe to some extent it has not occurred to subsidiaries to contact each other when a problem is encountered because they are so used to being dependent on regional headquarters. There is great possibility for improvement but I think the most difficult task is to create open minds among people in an organization so that room for change exists.

## **Limitations**

Some important limitations need to be considered owing to the complexity of the field investigated and the method utilized.

The small sample size shall be considered a major limitation, bearing viewpoints of only selected individuals. Especially, when looking at subsidiaries, it needs to be born in mind that only one representative of each subsidiary was interviewed creating a strong single-respondent bias. The non-longitudinal character of the study needs also to be mentioned.

Further limitations include the fact that HR managers from Hungary and The Czech Republic were on a “knowledge exchange” in Vienna, suggesting an inclination towards positive answers of questions regarding knowledge transfers within the MNC. Moreover, it should be noted that SK-regHQ and CZ-sub were able to communicate using their mother tongues, although these were different languages (Czech and Slovak), they are sufficiently similar, so understanding was not an issue. Aside from that, these two respondents might perceive a smaller cultural distance, since both countries were unified as Czechoslovakia until 1993.

Furthermore, in terms of horizontal knowledge exchanges, CZ-sub indicated at the beginning that the department was virtually not engaging in horizontal knowledge transfers. This should be regarded when looking at answers concerning horizontal knowledge transfers.

As for the interview setting, it needs to be noted that all interviews were conducted in the same fashion, except CZ-sub who was handed an interview guide for better orientation during the interview.

Finally, the selection of participants shall be mentioned since all interviewees were selected by the contact person at the company, the HR Director of the CEE region.

## **Managerial Implications**

From the findings of the case study, several implications for managers can be derived. Although, it needs to be noted that a number of other factors can be influential, the following recommendations might act as a guideline to managers trying to create or improve their knowledge-based organization.

- Measuring a subunit's strategic mandate by self-perception from several sources is an effective way to detect discrepancies. If self-perceptions do not match, this might indicate potential, thus room for improvement.
- Managers should bear in mind that subsidiary age, set-up mode and department size could have a significant influence on value of knowledge stock.
- The importance of electronic information systems is growing and managers should make sure to put enough focus on a successful implementation, i.e. extensive training of employees so everybody knows how to work a new system (see Holbeche, 1999).
- Managers should be aware that the amount of control exerted by corporate or regional HQ has a significant impact on knowledge sharing habits. Once used to bulk part of knowledge flowing vertically, it will be difficult to redirect some knowledge flows to a horizontal level.
- Although a common language is important, a large diversity of national cultures does not impact knowledge flows in a MNC significantly.
- It needs to be regarded that different types of knowledge – tacit and explicit – need to be treated differently. Different knowledge management tools need to be used when tacit knowledge (e.g. face-to-face interactions like workshops) and when explicit (e.g. databases) is concerned.
- Acknowledging discontinuity of knowledge flows bears strategic implications for managers. Although highly simplified, the model put forth by Ambos & Ambos (2007) could be applied to the MNC. Generating benefits from subsidiary isolation and moving across stages represents a challenge. However, if managed successfully, this could be the first step to effective knowledge management within a MNC.
- Evaluation of units has an impact on knowledge transfer patterns. The widely spread notion that no or low quality knowledge comes from a particular unit might lead to more subsidiary isolation because bearing in mind the principle of reciprocity (Schulz, 2001; Monteiro et al. 2008), few will engage in knowledge sharing with the focal unit.

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## Appendix

### Interview Guide – Subsidiaries

<b>Interview with subsidiaries on effectiveness of knowledge transfers</b>
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My name is Daniela Magdalena Sorger and I am a student at Vienna University of Economics and Business Administration.

I am working on my diploma thesis about drivers and barriers to effective knowledge sharing between MNC subunits in Austria and Central Eastern Europe.

I have produced a thorough theoretical part about knowledge transfer and now I would like to investigate the real-world practice of these theories.

Therefore, your company has been so kind to agree to let me conduct my research here and so I would like to start by asking you some questions about knowledge sharing in this firm and your department in particular.

The interview will take about 15-30 minutes. Each question can be rated from 1-5, 1 being best.

I will ask you to assess your position in six areas: strategic mandate, value of knowledge stock, knowledge transfer capabilities, organizational distance, cultural distance and effectiveness of knowledge transfer.

Please don't hesitate to ask for a detailed explanation of terms you don't feel familiar with.

#### **Strategic Mandate**

The strategic mandate of a subsidiary indicates its role within the Multinational Company. It is measured by intensity and direction of knowledge flows.

##### **1.) How often do you exchange knowledge?**

Everyday	Once a week	Once a month	Once a year	Less than once a year
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##### **2.) Do these knowledge exchanges rather occur on a horizontal basis across departments or rather on a vertical basis with headquarters?**

Most horizontal	More horizontal	Both equally	More vertical	Most vertical
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##### **3.) When you look at these knowledge flows – in which directions do they flow? Would you say that there is more incoming or outgoing knowledge? Could you estimate a ratio?**

50:50 / in-out	30:70 / in-out	10:90 / in-out	70:30 / in-out	100:0 in-out
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#### **Value of knowledge stock**

The value of knowledge stock is the unit's ability to send knowledge, as well as its ability to process incoming knowledge. This is also called absorptive capacity. Basically this means how much your knowledge is worth compared to other subsidiaries and how well you can use the knowledge received from other subsidiaries. Would you consider yourself rather a knowledge giver or knowledge receiver?

**4.) How would you rate the value of knowledge in your subsidiary, compared to other subsidiaries?**

Much higher	Slightly higher	Equal	Slightly lower	Much lower
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**What about the following areas?**

**a. Attracting new talent**

Much higher	Slightly higher	Equal	Slightly lower	Much lower
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**b. Candidate selection process**

Much higher	Slightly higher	Equal	Slightly lower	Much lower
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**c. Employee training**

Much higher	Slightly higher	Equal	Slightly lower	Much lower
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**d. Electronic HR systems**

Much higher	Slightly higher	Equal	Slightly lower	Much lower
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**Knowledge transfer capabilities**

**5.) I am going to read various knowledge management tools and processes to you. Please tell me whether you use them in your company, and if yes, how frequently.**

**a. Electronic Database**

Everyday	Once a week	Once a month	Once a year	Less than once a year
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**b. Telephone directory**

Everyday	Once a week	Once a month	Once a year	Less than once a year
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**c. Electronic Mail**

Everyday	Once a week	Once a month	Once a year	Less than once a year
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**d. Interpersonal contact on a vertical basis**

Everyday	Once a week	Once a month	Once a year	Less than once a year
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**e. Interpersonal contact on a horizontal basis (e.g. Conferences, Workshops)**

Everyday	Once a week	Once a month	Once a year	Less than once a year
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**Organizational distance**

Organizational distance indicates the discrepancy between self-perception and the company's strategic value disciplines. It indicates the difference in the company's desired image and "how things are done" in day-to-day business.

6.) Do you think there is a difference in a.) organizational culture, and b.) formal operational mechanisms (e.g. routines, practices) between your subsidiary and headquarters on the one hand, and between fellow subsidiaries on the other?

a. Organizational culture between subsidiary and headquarters

Big difference	Significant difference	Some difference	Minor difference	No difference
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b. Formal operational mechanisms between subsidiary and headquarters

Big difference	Significant difference	Some difference	Minor difference	No difference
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c. Organizational culture between subsidiaries

Big difference	Significant difference	Some difference	Minor difference	No difference
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d. Formal operational mechanisms between subsidiaries

Big difference	Significant difference	Some difference	Minor difference	No difference
----------------	------------------------	-----------------	------------------	---------------

**Cultural distance**

7.) Do you feel that national culture influences the way of doing business in your company?

Very significantly	A good deal	Sometimes	A little bit	Not at all
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8.) Are there misunderstandings and cultural conflicts from knowledge transfers between units in different countries? If yes, how often do they occur?

Everyday	Once a week	Once a month	Once a year	Less than once a year
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9.) Do you feel language differences are major obstacles in communication and understanding subsidiaries? How important would you rate the role of language?

Very important	Good deal important	Relatively important	Slightly important	Not important
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**Knowledge transfer effectiveness**

The effectiveness of a knowledge transfer is measured here as the perceived benefit from knowledge inflows.

10.) Can you think of the last 3 knowledge transfer processes you or your department was involved in and tell me how satisfied you were with them overall?

Very satisfied	Good deal satisfied	Relatively satisfied	Slightly satisfied	Not satisfied
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11.) Did you perceive them as beneficial to your company? If yes, how do you assess benefits from these knowledge transfers?

Very beneficial	Good deal beneficial	Relatively beneficial	Slightly beneficial	Not very beneficial
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Now I would like to kindly ask you to answer a few formal questions about the subsidiary and your position in the company.

- **What is your function in the company? Your job title/description?**

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- **How many people work in your department?**

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- **What is your mother tongue?**

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- **What language do you use most often when exchanging knowledge across national boundaries?**

English	German	Local Language	Other
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- **How long do you already work in the company?**

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- **What was your previous post?**

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- **What kind of education do you have?**

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- **Since when does the subsidiary you work in exist?**

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- **How was the subsidiary established?**

Joint-Venture	Greenfield operation	Merger/Acquisition
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- **If it was a joint-venture/acquisition, when did it take place and what was the subsidiary age before joining Henkel?**

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*Thank you very much for your kind cooperation!*

## **Interview Guide – Regional Headquarters**

<b>Interview with regional HQ on effectiveness of knowledge transfers</b>
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My name is Daniela Magdalena Sorger and I am a student at Vienna University of Economics and Business Administration.

I am working on my diploma thesis about drivers and barriers to effective knowledge sharing between MNC subunits in Austria and Central Eastern Europe.

I have produced a thorough theoretical part about knowledge transfer and now I would like to investigate the real-world practice of these theories.

Therefore, your company has been so kind to agree to let me conduct my research here and so I would like to start by asking you some questions about knowledge sharing in this firm and your department in particular.

The interview will take about 15-30 minutes. Each answer can also be rated from 1-5, 1 being best.

I will ask you to assess your position in six areas: strategic mandate, value of knowledge stock, knowledge transfer capabilities, organizational distance, cultural distance and effectiveness of knowledge transfer.

Please don't hesitate to ask for a detailed explanation of terms you don't feel familiar with.

The questions are divided into your assessment concerning all subsidiaries in general (white) and two subsidiaries in particular (grey) – The Czech Republic and Hungary.

### **Strategic Mandate**

The strategic mandate of a subsidiary indicates its role within the Multinational Company. It is measured by intensity and direction of knowledge flows.

#### **12.) How often do you exchange knowledge with subsidiaries?**

Everyday	Once a week	Once a month	Once a year	Less than once a year
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##### **i. ...with *Subsidiary – Czech Republic***

Everyday	Once a week	Once a month	Once a year	Less than once a year
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##### **ii. ...with *Subsidiary – Hungary***

Everyday	Once a week	Once a month	Once a year	Less than once a year
----------	-------------	--------------	-------------	-----------------------

#### **13.) When you look at knowledge flows between headquarters and subsidiaries, would you say that there is more incoming or outgoing knowledge? Could you estimate a ratio?**

50:50 / in-out	30:70 / in-out	10:90 / in-out	70:30 / in-out	100:0 in-out
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##### **i. ...with *Subsidiary – Czech Republic***

50:50 / in-out	30:70 / in-out	10:90 / in-out	70:30 / in-out	100:0 in-out
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ii. ...with *Subsidiary – Hungary*

50:50 / in-out	30:70 / in-out	10:90 / in-out	70:30 / in-out	100:0 in-out
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**Value of knowledge stock**

The value of knowledge stock is the unit's ability to send knowledge, as well as its ability to process incoming knowledge. This is also called absorptive capacity. Basically this means how much your knowledge is worth compared to other subsidiaries and how well you can use the knowledge received from other subsidiaries. Would you consider yourself rather a knowledge giver or knowledge receiver?

**14.) How would you rate the value or level of knowledge at subsidiaries compared to headquarters?**

Much higher	Slightly higher	Equal	Slightly lower	Much lower
-------------	-----------------	-------	----------------	------------

i. ...compared to *Subsidiary – Czech Republic*

Much higher	Slightly higher	Equal	Slightly lower	Much lower
-------------	-----------------	-------	----------------	------------

ii. ...compared to *Subsidiary – Hungary*

Much higher	Slightly higher	Equal	Slightly lower	Much lower
-------------	-----------------	-------	----------------	------------

**15.) How would you assess subsidiary value of knowledge compared to HQ in the following areas in particular?**

**a. Attracting new talent**

Much higher	Slightly higher	Equal	Slightly lower	Much lower
-------------	-----------------	-------	----------------	------------

i. ...at *Subsidiary – Czech Republic*

Much higher	Slightly higher	Equal	Slightly lower	Much lower
-------------	-----------------	-------	----------------	------------

ii. ...at *Subsidiary – Hungary*

Much higher	Slightly higher	Equal	Slightly lower	Much lower
-------------	-----------------	-------	----------------	------------

**b. Candidate selection process**

Much higher	Slightly higher	Equal	Slightly lower	Much lower
-------------	-----------------	-------	----------------	------------

i. ...at *Subsidiary – Czech Republic*

Much higher	Slightly higher	Equal	Slightly lower	Much lower
-------------	-----------------	-------	----------------	------------

ii. ...at *Subsidiary – Hungary*

Much higher	Slightly higher	Equal	Slightly lower	Much lower
-------------	-----------------	-------	----------------	------------

**c. Employee training**

Much higher	Slightly higher	Equal	Slightly lower	Much lower
-------------	-----------------	-------	----------------	------------

**i. ...at *Subsidiary – Czech Republic***

Much higher	Slightly higher	Equal	Slightly lower	Much lower
-------------	-----------------	-------	----------------	------------

**ii. ...at *Subsidiary – Hungary***

Much higher	Slightly higher	Equal	Slightly lower	Much lower
-------------	-----------------	-------	----------------	------------

**d. Electronic HR systems**

Much higher	Slightly higher	Equal	Slightly lower	Much lower
-------------	-----------------	-------	----------------	------------

**i. ...at *Subsidiary – Czech Republic***

Much higher	Slightly higher	Equal	Slightly lower	Much lower
-------------	-----------------	-------	----------------	------------

**ii. ...at *Subsidiary – Hungary***

Much higher	Slightly higher	Equal	Slightly lower	Much lower
-------------	-----------------	-------	----------------	------------

**Knowledge transfer capabilities**

16.) I am going to read various **knowledge management tools and processes** to you. When communicating with subsidiaries - please tell me whether you use these tools, and if yes, how frequently.

**a. Electronic Database**

Everyday	Once a week	Once a month	Once a year	Less than once a year
----------	-------------	--------------	-------------	-----------------------

**i. ...when communicating with *Subsidiary – Czech Republic***

Everyday	Once a week	Once a month	Once a year	Less than once a year
----------	-------------	--------------	-------------	-----------------------

**ii. ...when communicating with *Subsidiary – Hungary***

Everyday	Once a week	Once a month	Once a year	Less than once a year
----------	-------------	--------------	-------------	-----------------------

**b. Telephone directory**

Everyday	Once a week	Once a month	Once a year	Less than once a year
----------	-------------	--------------	-------------	-----------------------

**i. ...when communicating with *Subsidiary – Czech Republic***

Everyday	Once a week	Once a month	Once a year	Less than once a year
----------	-------------	--------------	-------------	-----------------------

**ii. ...when communicating with *Subsidiary – Hungary***

Everyday	Once a week	Once a month	Once a year	Less than once a year
----------	-------------	--------------	-------------	-----------------------

**c. Email**

Everyday	Once a week	Once a month	Once a year	Less than once a year
----------	-------------	--------------	-------------	-----------------------

**i. ...when communicating with *Subsidiary – Czech Republic***

Everyday	Once a week	Once a month	Once a year	Less than once a year
----------	-------------	--------------	-------------	-----------------------

**ii. ...when communicating with *Subsidiary – Hungary***

Everyday	Once a week	Once a month	Once a year	Less than once a year
----------	-------------	--------------	-------------	-----------------------

**d. Conferences/Workshops**

Everyday	Once a week	Once a month	Once a year	Less than once a year
----------	-------------	--------------	-------------	-----------------------

**i. ...when communicating with *Subsidiary – Czech Republic***

Everyday	Once a week	Once a month	Once a year	Less than once a year
----------	-------------	--------------	-------------	-----------------------

**ii. ...when communicating with *Subsidiary – Hungary***

Everyday	Once a week	Once a month	Once a year	Less than once a year
----------	-------------	--------------	-------------	-----------------------

**Organizational distance**

Organizational distance indicates the discrepancy between self-perception and the company's strategic value disciplines. It indicates the difference in the company's desired image and "how things are done" in day-to-day business.

**17.) Do you perceive a difference in a.) organizational culture (attitudes, beliefs, values), and b.) formal operational mechanisms (e.g. routines, practices) between headquarters and subsidiaries? What about between subsidiaries, do you believe there is a difference?**

**a. Organizational culture between subsidiaries and headquarters**

Big difference	Significant difference	Some difference	Minor difference	No difference
----------------	------------------------	-----------------	------------------	---------------

**i. ...difference between HQ and *Subsidiary – Czech Republic***

Big difference	Significant difference	Some difference	Minor difference	No difference
----------------	------------------------	-----------------	------------------	---------------

**ii. ...difference between HQ and *Subsidiary – Hungary***

Big difference	Significant difference	Some difference	Minor difference	No difference
----------------	------------------------	-----------------	------------------	---------------

**b. Formal operational mechanisms between subsidiaries and headquarters**

Big difference	Significant difference	Some difference	Minor difference	No difference
----------------	------------------------	-----------------	------------------	---------------

i. ...difference between HQ and *Subsidiary – Czech Republic*

Big difference	Significant difference	Some difference	Minor difference	No difference
----------------	------------------------	-----------------	------------------	---------------

ii. ...difference between HQ and *Subsidiary – Hungary*

Big difference	Significant difference	Some difference	Minor difference	No difference
----------------	------------------------	-----------------	------------------	---------------

c. Organizational culture between subsidiaries

Big difference	Significant difference	Some difference	Minor difference	No difference
----------------	------------------------	-----------------	------------------	---------------

d. Formal operational mechanisms between subsidiaries

Big difference	Significant difference	Some difference	Minor difference	No difference
----------------	------------------------	-----------------	------------------	---------------

**Cultural distance**

18.) Do you feel that national culture influences the way of doing business in your company?

Very significantly	A good deal	Sometimes	A little bit	Not at all
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i. ...doing business with *Subsidiary – Czech Republic*

Very significantly	A good deal	Sometimes	A little bit	Not at all
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ii. ...doing business with *Subsidiary – Hungary*

Very significantly	A good deal	Sometimes	A little bit	Not at all
--------------------	-------------	-----------	--------------	------------

19.) Are there misunderstandings and cultural conflicts from knowledge transfers between units in different countries? If yes, how often do they occur?

Everyday	Once a week	Once a month	Once a year	Less than once a year
----------	-------------	--------------	-------------	-----------------------

i. ...when communicating with *Subsidiary – Czech Republic*

Everyday	Once a week	Once a month	Once a year	Less than once a year
----------	-------------	--------------	-------------	-----------------------

ii. ...when communicating with *Subsidiary – Hungary*

Everyday	Once a week	Once a month	Once a year	Less than once a year
----------	-------------	--------------	-------------	-----------------------

20.) Do you feel language differences are major obstacles in communication and understanding subsidiaries? How important would you rate the role of language?

Very important	Good deal important	Relatively important	Slightly important	Not important
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i. ...when communicating with *Subsidiary – Czech Republic*

Very important	Good deal important	Relatively important	Slightly important	Not important
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ii. ...when communicating with *Subsidiary – Hungary*

Very important	Good deal important	Relatively important	Slightly important	Not important
----------------	---------------------	----------------------	--------------------	---------------

**Knowledge transfer effectiveness**

The effectiveness of a knowledge transfer is measured here as the perceived benefit from knowledge inflows.

**21.) Can you think of the last 3 knowledge transfer processes with subsidiaries and tell me how satisfied you were with them overall?**

Very satisfied	Good deal satisfied	Relatively satisfied	Slightly satisfied	Not satisfied
----------------	---------------------	----------------------	--------------------	---------------

i. ...last knowledge transfers with *Subsidiary – Czech Republic*

Very satisfied	Good deal satisfied	Relatively satisfied	Slightly satisfied	Not satisfied
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ii. ...last knowledge transfers with *Subsidiary – Hungary*

Very satisfied	Good deal satisfied	Relatively satisfied	Slightly satisfied	Not satisfied
----------------	---------------------	----------------------	--------------------	---------------

**22.) Did you perceive them as beneficial to your company? If yes, how do you assess benefits from these knowledge transfers?**

Very beneficial	Good deal beneficial	Relatively beneficial	Slightly beneficial	Not very beneficial
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i. ...last knowledge transfers with *Subsidiary – Czech Republic*

Very beneficial	Good deal beneficial	Relatively beneficial	Slightly beneficial	Not very beneficial
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ii. ...last knowledge transfers with *Subsidiary – Hungary*

Very beneficial	Good deal beneficial	Relatively beneficial	Slightly beneficial	Not very beneficial
-----------------	----------------------	-----------------------	---------------------	---------------------

Now I would like to kindly ask you to answer a few formal questions about the subsidiary and your position in the company.

- **What is your function in the company? Your job title/description?**

\_\_\_\_\_

- **What is your mother tongue?**

\_\_\_\_\_

- **What language do you use most often when exchanging knowledge across national boundaries?**

English	German	Local Language	Other
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- **How long do you already work in the company/at regional HQ in Vienna?**

\_\_\_\_\_

*Thank you very much for your kind cooperation!*

## Interview Results – Subsidiaries

	CZ-sub	HU-sub
<b>Strategic Mandate</b>		
1.)	3 times / week	3 times / month
2.)	Most vertical	More vertical
3.)	80:20 – in:out	70:30 – in:out
<b>Value of knowledge stock</b>		
4.)	Equal	Much higher
4a.)	Slightly lower	Much higher
4b.)	Slightly lower	Much higher
4c.)	Slightly higher	Much higher
4d.)	Much lower	Much higher
<b>Knowledge transfer capabilities</b>		
5a.)	Everyday	Everyday
5b.)	Everyday	Everyday
5c.)	Everyday	Everyday
5d.)	5 times / year	5 times / year
5e.)	2-3 times / year	2-3 times / year
<b>Organizational distance</b>		
6a.)	No difference	No difference
6b.)	No difference	Some difference
6c.)	No difference	No difference
6d.)	No difference	Big difference
<b>Cultural distance</b>		
7.)	A good deal	Sometimes
8.)	Less than once a year	1-2 times / year
9.)	Not important	Not important
<b>Knowledge transfer effectiveness</b>		
10.)	Very satisfied	Relatively satisfied
11.)	Good deal beneficial	Very beneficial

## Interview Results – Regional Headquarters

	SK-regHQ HR Management CEE	D-regHQ Head of HR CEE	RUS-regHQ Personnel Dev. Manager
<b>Strategic Mandate</b>			
1.)	Everyday	Everyday	Once a month
1. i.	Once a week	Once a month	3-4 times / year
1. ii.	2 times / week	Once a week	6 times / year
2.)	30:70 – in:out	50:50 – in:out	10:90 – in:out*
2. i.	30:70 – in:out	40:60 – in:out	10:90 – in:out*
2. ii.	30:70 – in:out	50:50 – in:out	10:90 – in:out*
<b>Value of knowledge stock</b>			
3.)	<i>Depends on type of knowledge**</i>	<i>Depends on type of knowledge**</i>	<i>Depends on type of knowledge**</i>
3. i.	–	–	Equal
3. ii.	–	–	Equal
4. a.)	Slightly lower	Slightly higher	Much higher
4. a. i.	Slightly lower	Slightly higher	Much higher
4. a. ii.	Slightly lower	Slightly higher	Much higher
4. b.)	Slightly lower	Equal	Slightly higher
4. b. i.	Slightly lower	Equal	Slightly higher
4. b. ii.	Slightly lower	Equal	Slightly higher
4. c.)	Slightly lower	Much lower	Slightly lower
4. c. i.	Slightly lower	Much lower	Much lower
4. c. ii.	Slightly lower	Much lower	Slightly lower
4. d.)	Slightly lower	Much lower	Much lower
4. d. i.	Slightly lower	Much lower	–
4. d. ii.	Slightly lower	Much lower	–
<b>Knowledge transfer capabilities</b>			
5. a.)	Everyday	3-4 times / week	–
5. a. i.	–	–	–
5. a. ii.	–	–	–
5. b.)	Everyday	Everyday	Everyday
5. b. i.	Once a week	Once a month	Once a week
5. b. ii.	Two times / month	Once a week	Once a week
5. c.)	Everyday	Everyday	Everyday
5. c. i.	Once a week	Once a week	Once a week
5. c. ii.	Once a week	Once a week	Once a week
5. d.)	5 times / year	4-6 times / year	7 times / year
5. d. i.	7 times / year	8 times / year	6-7 times / year
5. d. ii.	7 times / year	14 times / year	10 times / year
<b>Organizational distance</b>			
6. a.)	Minor difference	Significant difference	Minor difference
6. a. i.	No difference	Significant difference	Minor difference
6. a. ii.	No difference	Significant difference	Minor difference
6. b.)	Some difference	Some difference	No difference
6. b. i.	Minor difference	Some difference	No difference
6. b. ii.	Minor difference	Some difference	No difference
6. c.)	Some difference	Some difference	Some difference
6. d.)	Minor difference	No difference	Minor difference

<b>Cultural difference</b>			
7.)	Sometimes	Not at all	A little bit
7. i.	A little bit	Not at all	A little bit
7. ii.	A little bit	Not at all	A little bit
8.)	Less than once a year	Once a year	Less than once a year
8. i.	Never	No issue	Less than once a year
8. ii.	Never	No issue	Less than once a year
9.)	Very important	Very important	Not important
9. i.	Not important	Not important	Not important
9. ii.	Not important	Slightly important	Not important
<b>Knowledge transfer effectiveness</b>			
10.)	Good deal satisfied	Good deal satisfied	Good deal satisfied
10. i.	Very satisfied	Very satisfied	Good deal satisfied
10. ii.	Very satisfied	Very satisfied	Relatively satisfied
11.)	Very beneficial	Very beneficial	Good deal beneficial
11. i.	Good deal beneficial	Very beneficial	Good deal beneficial
11. ii.	Good deal beneficial	Very beneficial	Good deal beneficial

\*The interviewee pointed out that this answer holds true if a project is implemented from corporate HQ, otherwise, when a project starts at regional Headquarters, the answer is 20:80 – in:out.

\*\* All interview partners were differentiating the type of knowledge. In general, knowledge towards local laws and regulations was assessed being much higher at subsidiaries, whereas knowledge towards corporate strategy was assessed higher at HQ.