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**The HQ-driven Knowledge Transfer Process in an
Industrial MNC**

A Case Study of the Swedish MNC Epiroc

Master's Degree Project in International Business and Trade

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Abstract

As multinational corporations are growing and becoming more complex, transferring important and relevant knowledge efficiently to peer units in the organization is crucial. However, most studies within the concept of knowledge transfer have focused on knowledge inflows and outflows to and from subsidiaries in the organization. Thus, limited research has had the headquarter as the focal unit of analysis. Although this study does include an investigation of the ability and motivation of subsidiaries to absorb knowledge, it has a strong focus on the ability and willingness of the headquarter to transfer knowledge to peer units in the organization during its transformation into a more dynamic organization. Therefore, the objective of this study is to grasp a deeper understanding in the field of knowledge transfer and make a contribution to the existing literature by fulfilling the purpose of investigating how MNCs' HQ-driven knowledge transfer process unfolds.

In order to reach the objective and the purpose of this study, a case study was conducted at the Swedish MNC named Epiroc, former part of the Atlas Copco group. As a result of seventeen interviews with people at different levels and from different units within the organization, it's evident that, from a knowledge transfer perspective, semi-autonomous subsidiaries and trust among individuals and organizational units are two aspects, not previously mentioned by existing literature, needed in order to facilitate the HQ-driven knowledge transfer. Moreover, the state of the MNC's industry, the maturity of the subsidiary and the orchestration of resources, are, in addition to the traditional determinants of knowledge transfer, i.e. the ability and motivation to transfer and receive knowledge, significant determinants in the HQ-driven knowledge transfer process.

Keywords: knowledge transfer, headquarter, subsidiary, semi-autonomous, absorptive capacity, disseminative capacity

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List of Abbreviations

BLM= Business Line Manager

BRM=Business Review Meeting

CoE=Center of Excellence

EUR= Euro (currency)

GM=General Manager

HRM=Human Resource Management

HQ=Headquarter

KPI=Key Performance Index

MNC=Multinational Corporation

NIH= Not Invented Here (syndrome)

PC=Production Center

RBM=Regional Business Manager

UK=United Kingdom

VLC=Value Compensation Letters

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1. Introduction

The introductory chapter exists in order to lay the foundation upon which this thesis will take its form. Here, a background of the chosen research subject will be presented, moreover the research question and purpose of the study will be postulated. The chapter will be concluded with a summarized description of the utilized method, as well as a brief discussion regarding potential delimitations and contributions of the study.

1.1 Background

Reinforced by researchers such as Teece (2014), Barney et al. (2001) and Michailova and Zhan (2015), large multinational companies (MNCs) of today are increasingly pressured to adopt a more dynamic approach than before, in order to stay competitive, due to rapid technological changes. In this dynamic MNC, the question of how to achieve competitive advantages that are sustainable, is fundamental. Pushed by increased global competition and new types of customer demands, today many traditional product-based industrial companies are compelled to move towards solution and service-based strategies, to increase their competitiveness and competitive advantage (Gebauer et al., 2005; Kastalli and Looy, 2013). There is a risk that if established companies, especially with mature products, do not succeed in stimulating service innovation and in becoming more dynamic, they will be outcompeted by new actors that develop more innovative value propositions from inception (Bessant and Davies, 2007). Although most companies, in particular large MNCs, are able to recognize the need for a shift towards more of a dynamic approach, the challenges concerning top management's effectiveness in how to manage that shift, are significant.

One of the main challenges is that the change towards a dynamic MNC requires the efficient transfer of knowledge between different units of the firm (Homburg et al., 2003). In the dynamic MNC, the headquarter (HQ) is seen as the most important organizational unit that orchestrates and transfers innovative knowledge to its subunits (Teece, 2014). The issue of knowledge transfer within the MNC is widely discussed by several previous researchers (Gupta and Govindarajan, 2000; Minbaeva, 2007; Minbaeva et al., 2003:2014; Fey and Furu, 2008; Lee et al., 2008), and the focus of interest has been on the MNC, since it is a complex multi-dimensional unit where

knowledge transfer is taking place not only among multiple functions but also across multiple geographical spaces. Using ideas from communication theory, where we have senders and receivers of knowledge, the transfer of knowledge has been described as a function of (1) the value of the source unit's knowledge stock, (2) motivational disposition of source unit, (3) existence of richness of transmission channels, (4) motivational disposition of the target unit, and (5) absorptive capacity of the target unit (Gupta and Govindarajan, 2000). Senders and receivers of knowledge within the MNC can be manifested both in different organizational units such as subsidiaries, headquarters or teams, but also in the individuals of the firm (Lin et al., 2005). The ability of the sender, or source unit, to transfer knowledge to other units within the organization has also been referred to as *disseminative capacity* (Minbaeva, 2007; Minbaeva and Michailova, 2004; Minbaeva et al., 2014; Björkman et al., 2007; Schreiber et al., 2011), whereas the ability of the receiver, or target unit, to receive and absorb knowledge has also been referred to as *absorptive capacity* (Cohen and Levinthal, 1990; Zahra and George, 2002; Minbaeva, 2007; Minbaeva et al., 2014). In general, previous studies are very much aligned with each other when it comes to appointing disseminative- and absorptive capacity as the two major determinants of knowledge transfer within the MNC.

1.2 Problem discussion

As touched upon earlier, different organizational units can simultaneously be senders and receivers of knowledge. Consistent with Ghoshal and Bartlett (1990), Gupta and Govindarajan (1991) and Hedlund (1994), transfers of knowledge within the MNC can occur in a way that resemble flows through a *network* of differentiated units. In this study, the MNC is seen as a network, meaning in accordance with Andersson et al. (2002), that headquarters and subsidiaries are involved in an ever-ongoing bargaining process where power and innovation is spread across the whole organization, not only directed towards the corporate HQ. Although, the HQ is still viewed as one of the most important units of the MNC, since it holds the functions of managing business development, being responsible for the long-term strategic planning, monitoring & administering the MNC, and most importantly, being a strategic director and orchestrator of value-adding activities throughout the network of organizational units (Gupta and Govindarajan, 1991; Ciabuschi et al., 2012).

Reinforced by findings revealed in Kindström's (2010) case study, an important step in order for MNC's to change into a more dynamic organization, including more service propositions, is to develop dedicated and knowledgeable employees at all levels and types of subsidiaries, providing them with information regarding the dynamic approach. Since, as previously discussed, the HQ is recognized by several researchers as having a vital role in shaping and creating important decisions and strategies within the MNC (Gupta and Govindarajan, 1991; Ciabuschi et al., 2012; Teece, 2014), which are to be transferred and implemented into different subsidiaries, the transfer of knowledge in a dynamic transformation could be seen as *driven* by the HQ. Thus, taking into account the HQ's importance in knowledge transfer during a dynamic transformation and the fact that competitive pressures on industrial product-oriented firms increase in the same fast pace as technology, it is highly relevant to investigate the HQ-driven knowledge transfer in an industrial MNC.

As mentioned foregoing, there exists rich previous research on the field of knowledge transfer and earlier studies by researchers, such as Gupta and Govindarajan (2000) and Minbaeva (2007), are conducted to test existing models, confirming that subsidiaries' knowledge inflows and outflows are dictated by motivational disposition and abilities of the MNC-employees. The studies show that these aspects are subsequently affected by other factors such as the existence of transmission- and communication channels between organizational units, employees' access to expert knowledge, the level of freedom of subsidiary employees etc. Other previous studies, e.g. Fey and Furu (2008), instead focus on identifying a previously unidentified phenomenon, which in their case regards the relationship between subsidiary monetary rewards and knowledge sharing between different units of the MNC. However, previous studies have traditionally been conducted without taking into account neither the HQ-perspective, nor a HQ-driven knowledge transfer process (Lindahl, 2015). Previous research focuses mostly on knowledge inflows and outflows to and from subsidiaries, not to the subsidiaries from the HQ. Thus, there exists a research gap in the field of knowledge transfer, as it doesn't treat the HQ-driven knowledge transfer process. Subsequently, this study intends to fill this window, since there exists a need, both for enterprises and individuals, to gain an increased understanding of the impact and nature of HQ-driven knowledge transfer, in order to be better equipped when facing new conditions of the changed competitive and technological environment.

1.3 Specifying the research question

In order to deepen the investigation, a process perspective on knowledge transfer is adopted in this report, where the emphasis is hence to examine the HQ-driven knowledge transfer process between HQ and subsidiaries, on the dyadic level. Focus is on examining the HQ-subsidary knowledge transfer relationship from an HQ-perspective, i.e. the joint behavior, of senders and receivers of knowledge. The reason to study the phenomena at the chosen level of analysis is first and foremost simply due to the nature of knowledge transfers itself, as it requires both senders and receivers to exist. In order to understand the characteristics of an organizational unit's knowledge transfer, one needs to include both a sender and a receiver in the investigation. Thus, since this study intends to fill a research gap whereby an HQ-perspective of knowledge transfer is taken, and in order to be able to investigate the HQ's capacity to share knowledge, one also needs to study subsidiaries, and their capacity to take in knowledge.

Before stipulating the main research question of this study, which needs to answer upon how the HQ-driven knowledge transfer between HQ and the subsidiary unfolds, there is one important aspect to bear in mind. Since the background to this study of knowledge flows within the MNC regards their change to become more dynamic, the type of transferred knowledge fruitful to study is *tacit knowledge*, denoting that it is rooted in values, actions, practices and behaviors rather than being *explicit*, i.e. more easily accessible, available and transferable knowledge (Michailova and Mustaffa, 2012). Hence, in order to fulfil the essence of our study, the main question that needs to be answered upon is the following:

“How does a headquarter-driven knowledge transfer process within an industrial MNC unfold?”

As discussed earlier in this chapter of the study, previous researchers are unified on the matter that the major components to investigate, when examining the knowledge transfer relationship between units within the MNC, are the sender's disseminative capacity and the receiver's absorptive capacity. The larger disseminative capacity of the sender, and absorptive capacity of the receiver, the greater and more efficient flows of knowledge (Gupta and Govindarajan, 2000; Minbaeva,

2007, Minbaeva et al., 2014). Some research argues that the disseminative capacity and absorptive capacity do not only relate to each other, but also interact, meaning that a strong disseminative capacity of HQ can offset a lack of absorptive capacity of the subsidiary, and vice versa (Martinkenaite-Pujanauskienė, 2015). However, the dominant share of previous studies suggests that a more dynamic and two-sided perspective of the knowledge transfer relationship between HQ and subsidiary should be adopted (Gupta and Govindarajan, 2000; Minbaeva, 2007; Minbaeva et al., 2014; Song, 2014). Hence, when studying the knowledge transfer relationship between the HQ and subsidiary in an industrial MNC, both the organization's absorptive capacity and its disseminative capacity need to be determined, and thus evokes the need for following sub-research question to be answered:

“What are the determinants of disseminative and absorptive capacity among HQs and subsidiaries in an industrial MNC?”

To delineate the sub-research question, the authors choose to define *disseminative capacity* as a function of knowledge senders' willingness and ability to transfer knowledge to other parts of the MNC when it is needed in the organization, which is consistent with the definition given by Husted and Michailova (2002), Minbaeva and Michailova (2004) and Minbaeva et al. (2014). As for the authors' definition of *absorptive capacity*, it reflects a springboard from previous studies' definitions by Cohen and Levinthal (1990) and Minbaeva et al. (2014), and constitutes the ability and motivation among the employees of the receiving unit in the MNC, to absorb or take in transferred knowledge.

1.4 Purpose of the study

The purpose of this study is to investigate how the HQ-driven knowledge transfer process within an MNC unfolds. To study this, one needs to gain insights in HQ's ability and willingness to transfer new practices and knowledge to organizational subsidiaries, as well as the subsidiaries ability and motivation to absorb this knowledge, by using and testing ideas from previous knowledge transfer research. Subsequently, the effects of knowledge transfer, on the success of implementing HQ-driven directives and knowledge, will prevail.

1.5 Method

In order to fulfill the purpose and answer the posed research questions, a qualitative research approach has been adopted in this thesis, where the focus of the study is on research within the field of *disseminative capacity* and *absorptive capacity*. In order to give the work more substance, a case study-approach has further been taken on, where three sales subsidiaries and the HQ of a global Swedish industrial company are investigated. The case study takes the form of temporary field visits, including semi-structured interviewing method. As for empirical results, these are developed based on gathered findings from field observations and desk research, and consists of data from subsidiaries located in Sweden, UK and Norway. Further, in order to answer posed research questions, information was also gathered from the immediate superiors to the subsidiaries, deployed at the HQ in Sweden. A more detailed discussion regarding method and its limitations is to be found in Chapter 3 of this thesis.

1.6 Delimitations

In order to ensure the quality of this study, delimitations have been added in order to narrow the research objective. The emphasis of this thesis is to study knowledge transfer, where the unit of analysis is twofold, analyzing the HQ-subsidary knowledge transfer relationship in an MNC from an HQ-perspective. The issue of knowledge transfer within the MNC can be approached from other angles than the chosen one. For relevancy reasons and lack in previous research, the specific approach was chosen, and the others were not.

2. Theoretical Framework

The following chapter will provide for the theoretical background and existing research on subjects regarding the structure of the MNC, the role of the HQ and subsidiary in the MNC, the characteristics of knowledge, as well as the determinants of MNCs disseminative- and absorptive capacity. Finally, a conceptual framework based on the literature review is constructed, where disseminative and absorptive aspects are linked together. Subsequently, this chapter's findings will have an impact on, and be impacted by, this study's next chapter, the empirical findings.

2.1 MNC as a network

The standard view upon the MNC and its structure has changed from the hierarchical outlook, where HQ has the primary function to control and steer its subsidiaries, to a network- and federative perspective of the MNC, where it is considered to be a dispersed structure of power in which top management's authority does not have to result in having hierarchical power as the best control mechanism (Ghoshal and Bartlett, 1990; Andersson et al., 2007). The headquarter is viewed as one player among several in the organization and the networks in which the different units, i.e. subsidiaries and HQ, are active in, serve as valuable sources for intra-organizational power, meaning that there is a constant bargaining process going on in the MNC (Andersson et al., 2007).

The network perspective further suggests that innovation creation, which may lead to competitive advantage, is not only occurring at HQ, but increasingly also at subsidiaries, and that a unit's innovative activities depend on the unit's level of interaction with surrounding networks (Ghoshal and Bartlett, 1990; Andersson et al., 2002). Even though this earlier research on the HQ as a network argue that the HQ and subsidiary are positioned at equal levels with regards to innovation creation, more recent studies on the field emphasize HQ as the superior unit. This is also discussed in the introductory chapter, and HQ is yet seen as one of the most important units of the MNC as it holds the functions of managing business development, being responsible for the long-term strategic planning, monitoring & administering the MNC, and most importantly, being a strategic director and orchestrator of value-adding activities throughout the network of organizational units (Gupta and Govindarajan 1991; Ciabuschi et al., 2012). Thus, taking on a network approach of the

MNC reinforces the importance of studying both HQ and subsidiary behavior when new and innovative strategies are to be created and implemented.

2.2 Defining the role of the Headquarter in the MNC

It goes without saying that large and complex MNCs need a clear organization, control mechanisms and coordination activities. Hence, since management of the firm is a key task, it falls under the responsibility of the HQ. However, the role of the HQ identified by the literature is still unclear, which affect its actions related to the subsidiaries (Dellestrand, 2010).

HQ's role as a coordinator/orchestrator in the MNC

HQ is often taken for granted without elaborating on what it really is or what role it has in the MNC (Dellestrand, 2010). Nevertheless, the literature has attempted to define and identify it, e.g. the hierarchical coordinator aiding the firm to achieve success (Chandler, 1962) or defining HQ as the unit with the overall responsibility of the firm's operations (Hungenberg, 1993). Moreover, the literature has emphasized executive management's responsibility for providing services to the rest of the organization (Collis et al., 2007). Although there are different definitions, previous research has concluded that there is a need for HQ's existence and its coordination of the firm since it has been argued that business decisions that are needed to be taken are rarely left to the authority of subsidiary managers, but the responsibility of influencing behavior rather resides at HQ (Dellestrand, 2010; Forsgren and Johansson, 2010).

Similar, HQ's role in the MNC include the conceptualization of the HQ as the overall orchestrator of the MNC activities, with a holistic view of the organization's operations. From this perspective, metaphorically, the HQ can be seen as the conductor of an MNC orchestra, guiding the activities of the MNC towards a common goal. Albeit one of several hubs within the MNC, the HQ is given the role of the conductor since it possesses prominence and a central position with the MNC (Dhanaraj and Parkhe, 2006). Moreover, the idea that the HQ should scout and explore new business opportunities worldwide and subsidiaries in understanding local business environments (Ambos and Mahnke, 2010), or establish appropriate cross-unit linkages to create synergies across

the organization and facilitate knowledge transfer and asset sharing across units (Bartlett and Goshal, 1989), have also been applied in the existing literature.

Different HQ levels can be found in the MNC

In addition to having formal responsibility for the activities of the organization, HQ represents the legal domicile of the MNC (Birkinshaw et al., 2006). Ciabuschi et al. (2012) argue that the role of HQ is a function of (1) entrepreneurial/administrative functions, (2) headquarter levels and (3) HQ's knowledge situation. HQ levels refer to corporate, regional/divisional/function headquarters and subsidiaries with HQ responsibilities, whereas HQ knowledge situation refers to, inter alia, HQs knowledge regarding specific local context to which a subsidiary is embedded (Asakawa and Lehrer, 2003). Thus, according to Ciabuschi et al. (2012), the role of a corporate HQ with an entrepreneurial function (value-creation) and deep knowledge regarding a subsidiary's local context differs significantly compared to a regional HQ with an administrative function (loss-preventing).

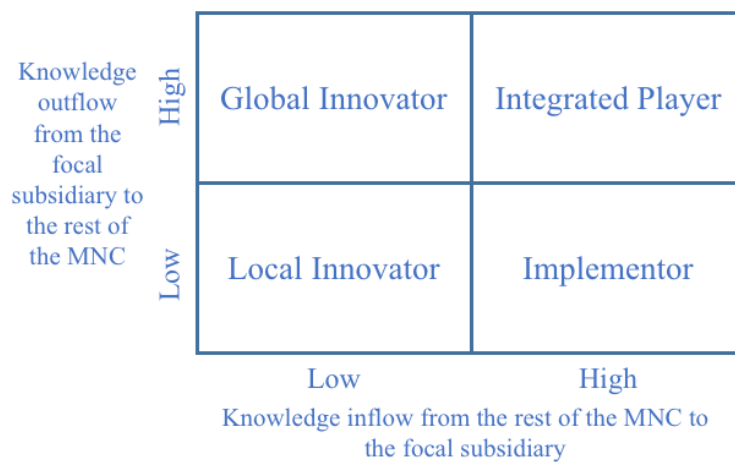
2.3 Defining the role of the subsidiary in the MNC

In order to provide a fruitful discussion regarding knowledge transfer to the subsidiary, a definition of what a subsidiary is, and its role within the MNC, is necessary. Subsidiaries are often seen as value-adding units in host countries, which are majority owned or wholly owned units of the MNC, and are established through foreign direct investments (Dunning, 1980; Birkinshaw and Hood, 1998; Welch et al., 2007). The strategic function, and importance, of the subsidiary varies heavily, where limited evolved subsidiaries are primarily marketing/sales units or production plants, and more evolved entities that possess a high degree of valuable specialized knowledge are often referred to as centers of excellence (CoEs) (Andersson and Holmström, 2000; Bouquet and Birkinshaw, 2008). For the CoEs, knowledge sharing to other subsidiaries within the MNC is a key function (Furu, 2001).

Gupta and Govindarajan (1991) explain differences in knowledge transfer across organizational units by defining four types of subsidiary roles, *Global Innovator*, *Integrated Player*, *Implementor* and *Local Innovator*. The Global Innovator is argued to engage in high levels of knowledge

outflow and low levels of knowledge inflow, whereas the Implementor does the opposite, creates little innovation of its own and depends heavily on the HQ and peer subsidiaries to transfer knowledge. As for the Integrated Player, it has the responsibility to create knowledge, but also need new knowledge from other units. Last, the Local Innovator seldom engages in creation of knowledge relevant to peer units and, due to its local focus, does not absorb knowledge either, since it is often seen as irrelevant for the specific local market.

Figure 1. The roles of the subsidiary



Source: Compiled by authors. Based on data from Gupta and Govindarajan (1991).

As proposed by Bartlett and Ghoshal (1987), the subsidiary should be seen as an ever-growing unit of the MNC, that needs to develop competencies and capabilities to fit local market demands as well as MNC overall requirements. Thus, it should not be seen as the ultimate stage in a global firm's internationalization process (Johanson and Vahlne, 2009). The development and growth of subsidiaries is commonly referred to as *subsidiary evolution*, in which the HQ, the local environment and subsidiary decision-making together influence the business activities that the subsidiary takes on (Birkinshaw and Hood, 1998). Since subsidiaries of an MNC often are widely spread across the globe, and located in different environments, the characteristics and resource set-up commonly vary among subsidiaries (Ghoshal and Nohria, 1989).

When a subsidiary increasingly engages in new relationships with players in the local environments in which they are present, the increased number of external relationships is said to not only improve the unit's opportunities to appropriate knowledge from its local surroundings, but also enhances its importance within the MNC network (Andersson et al., 2001). Thus, subsidiaries do not evolve solely based on unit- or location specific conditions, but also based on its relationships with internal actors, which consist of the HQ and subsidiaries that can influence strategic decision-making across and within subsidiaries in the MNC (Hedlund, 1986).

To sum up, understanding the different roles that subsidiaries can take on in the MNC, tells us something about their knowledge sharing abilities, where more evolved units are likely to engage more in knowledge sharing than less evolved units (Gupta and Govindarajan, 1991; Furu, 2001). In short, subsidiaries are organizational units, belonging to the MNC network. The MNC network is in turn made up of internal and external networks of relationships with actors such as internal subsidiaries and external suppliers or customers, upon which the subsidiary performance is very much dependent on (Andersson et al., 2005; Birkinshaw et al., 2005).

2.4 Defining characteristics of knowledge

Knowledge can be broken down into two knowledge characteristic components, i.e. explicit and tacit knowledge, where the focus on this study is tacit knowledge. The difficulty of tacit knowledge is to document a practice on paper and just send to subsidiaries. Thus, there is a need to focus on tacit knowledge in the HQ knowledge driven transfer process.

The existing literature has covered several knowledge characteristics where the tacit and the explicit knowledge continuum have been the topics mostly examined. Tacit has been referred to as knowledge embedded in actions, values, ideas, practices and behaviors that is not easily available, accessible or transferable (Michailova and Mustaffa, 2012). On the other hand, explicit refers to codifiable knowledge, i.e. accessible in relatively retrievable forms. For instance, manuals and instructions put on paper are examples of explicit knowledge (Michailova and Mustaffa, 2012). When reviewing the literature, three factors, or characteristics, that are most likely to impact knowledge transfer in an MNC have been noticed, namely (1) codifiability, (2) teachability, and (3) complexity (Kogut and Zander, 1993), where existing literature present sufficient evidence to

support the statement that the characteristics influence knowledge transfer in MNCs (Michailova and Mustafa, 2012). For example, tacitness, i.e. low codifiability and high complexity, and causal ambiguity are among the most emphasized barriers to knowledge transfer in the MNC or that knowledge with a higher level of tacitness is more difficult to transfer (Zander and Kogut, 1995; Levin and Cross, 2004; Schreiber et al., 2011; Blomkvist, 2012).

The degree of tacitness and its impact on knowledge transfer is a common topic in the literature. Studies have concluded that the degree of knowledge articulation, i.e. the conversion or extraction of tacit to explicit knowledge, has an impact on the speed of the knowledge transfer from a HQ to a subsidiary (Minbaeva, 2007). Moreover, a high level of tacitness decreases speed of knowledge transfer since tacit knowledge is hard to express directly or articulate with formal language, since this type of knowledge is rooted in values, actions, practices and behaviors (Zander and Kogut, 1995; Michailova and Mustafa, 2012). In addition, the role of tacitness has been emphasized further by suggesting that tacitness affects knowledge transfer through its influence on knowledge ambiguity, i.e. transforming the knowledge into something more abstract (Simonin, 1999).

As mentioned foregoing, the literature recognizes that the transfer of tacit knowledge is problematic since it often depends on information interactions among organizations and individuals in the firm. In other words, since tacit knowledge is dependent on human behavior which, in turn, is difficult to govern by specific rules or codify in manuals or documents, the transfer of tacit knowledge is challenging and creates inefficiencies for MNCs (Szulanski, 1996; Fey and Furu, 2008). However, not only the human aspect of tacit knowledge makes it challenging to transfer, but also the local context from which the knowledge originates. In other words, tacit knowledge is often adapted to the local context, making it hard to transfer and use in the rest of the MNC (Szulanski, 1996).

Thus, we dare to claim that knowledge characteristics have a significant effect in knowledge transfer in the MNC. However, it is important to note that the success of knowledge transfer between HQ and subsidiary is not exclusively a result of knowledge characteristics, but also a function of other factors, e.g. characteristics of receivers (absorptive capacity), characteristics of senders (disseminative capacity) or relationship between senders and receivers.

2.5 The Disseminative Capacity of the HQ

A theoretical overview of disseminative capacity is presented below. First, provided is an outline of the determinants of disseminative capacity identified by the existing literature. Subsequently, a framework consisting of the factors which improve disseminative capacity is presented. Last, the researchers provide a summary of the theory on disseminative capacity.

2.5.1 Determinants of disseminative capacity

Existing studies have attempted to develop a model to analyze the four determinants of knowledge transfer, i.e. (1) characteristics of knowledge, (2 & 3) characteristics knowledge senders and receivers and (4) and the relationship between them, in order to determine their joint effect on the knowledge transfer from HQ to subsidiaries (Minbaeva, 2007).

The decision to transfer knowledge is made on an individual basis and is driven by two behavioral factors, the ability and willingness of knowledge senders. Ability has been referred to as well-developed skills to articulate and communicate knowledge, whereas willingness refers to the sense of influence, commitment and responsibility an individual feel for the decisions and processes of knowledge sharing (Minbaeva, 2007).

Several studies have focused on the willingness component of disseminative capacity. For instance, several reasons which negatively affect knowledge senders' willingness to transfer knowledge have been identified, namely (1) potential loss of value, (2) reluctance to spend time on knowledge sharing, (3) fear of transferring knowledge to a someone who has shown little interest in developing his/her own knowledge development, (4) avoidance of exposure, (5) uncertainty about revealing relevant knowledge and (6) fear of losing a privileged position in the MNC (Husted and Michailova, 2002; Michailova and Husted, 2003; Minbaeva, 2007). The concept of individuals', e.g. HQ managers, reluctance of transferring knowledge to subunits in the organization is commonly known as *knowledge hoarding* (Michailova and Husted, 2003).

The literature on disseminative capacity has not only had a single-perspective on disseminative capacity, i.e. focusing only on either senders' or receivers' behaviors or characteristics, but also

researched the potential impact of the characteristics of the relations between knowledge senders and receivers on knowledge transfer from HQ to subsidiary. Research suggests that the disseminative capacity of HQ is much dependent on the establishment of close relationships between senders (HQ) and receivers (subsidiary). For example, communication bridges and possibilities for dialogue across organizational hierarchies must be incorporated to transfer knowledge successfully. Thus, the disseminative capacity's role in knowledge transfer is not exclusively a result of the characteristics of senders and receivers independently, but also a function of the relationship of the two (Minbaeva, 2007).

Moreover, the literature has also investigated how HQ's knowledge transfer to its subsidiaries is transformed over time and what role the sender and receivers' capabilities play in the transfer process (Martinkėnaitė-Pujanauskienė, 2015). As an example, studies have focused on how changes in an MNC's disseminative capacity, and on how strategic opportunities, influence knowledge transfer between HQ and subsidiary over time (Martinkėnaitė-Pujanauskienė, 2015). One can argue that a result of these studies is that disseminative capacity of the sender (HQ) is just as important as the absorptive capacity of the recipient (subsidiary) as they not only relate to each other, but also interact with each other.

2.5.2 Improving disseminative capacity

The literature has identified a framework consisting of factors which support the improvement of a source firm's disseminative capacity and, consequently, increases the chances for knowledge transfer success in the MNC (Schulze et al., 2014).

Attainment of expert knowledge

The attainment of expert knowledge arguably leads to enhanced disseminative capacity of the sending unit. The literature supports the argument that if the source unit of knowledge in the MNC, e.g. HQ, possesses a great amount of expertise in a certain field, that unit is considered reliable by other units, e.g. subsidiaries, when considering absorbing that knowledge. In contrast, the recipient of certain information is likely to resist, question or challenge the advice or examples from the source if it's not perceived as knowledgeable (Szulanski, 2000). In other words, a subsidiary may disregard certain guidelines, practices or strategies from HQ if it doesn't consider HQ to have

sufficient expertise in a certain field, e.g. local sales practices. Moreover, if the sending unit has information on how knowledge is organized, employees may be able to provide content-specific examples and metaphors to increase disseminative capacity and facilitate knowledge transfer (Hashweh, 2005). Furthermore, HQ's disseminative capacity can be improved if it can recruit, develop and maintain experience among individuals in the organization since experience foster the understanding of relevant knowledge among peer units (Joshi et al., 2007). Last, attaining expertise increases the source unit's trustworthiness among units in the MNC which constitute a basic condition of disseminative capacity. That is, HQ is perceived to be trustworthy if it can explain why a given action yields a given outcome which, in turn, make subsidiaries more open to receive knowledge (Szulanski et al., 2004).

Assessment of recipient knowledge

The literature has concluded that the assessment of recipient knowledge is an important step to strengthen disseminative capacity (Schulze et al., 2014). Accordingly, knowing the receiving unit's readiness and ability to receive knowledge, i.e. absorptive capacity, is beneficial in many ways for the disseminative capacity of the sender. An assessment of the recipient's knowledge is useful for selecting the appropriate transfer instruments. In other words, this helps the sender, HQ, to define how the relevant information should be transferred (Martin and Salomon, 2003). Moreover, assessing the recipient's capacity helps the knowledge source unit identify the receiving unit's strengths and weaknesses which, in turn, enlightens the sender of what relevant information needs to be transferred (Martin and Salomon, 2003). Only relevant knowledge is needed to build the transfer bridge between sender and receiver. Therefore, knowing the absorptive capacity of the receiving unit is crucial to determine the relevant knowledge (Carlile and Reberich, 2003).

Ability to encode knowledge

The ability to encode knowledge has also been highlighted as a management tool to improve disseminative capacity (Schulze et al., 2014). Knowledge is different than information in the sense that, based on experience and beliefs, it is interpreted and understood differently by recipients. As a result, this can cause mistakes, malfunctions and misunderstanding that negatively affect the transfer. Knowledge is useless if it cannot be understood and interpreted correctly by the end user,

i.e. the recipient (Carlile and Reberich, 2003). Therefore, the sender must properly encode the knowledge so that the receiving unit can comprehend it (Schulze et al., 2014). For example, the literature has identified a need to establish a shared language between sender and receiver by arguing that speaking the basics of the receiver's language is beneficial for reciprocal learning (Carlile and Reberich, 2003; Grunwald and Kieser, 2007).

Support of knowledge application

Moreover, previous research has identified the support of knowledge application as a necessity to improve the transfer, especially of tacit knowledge as it is much related to human behavior (Nonaka and Takeuchi, 1995; Schulze et al., 2014). According to the literature, knowledge is only successfully transferred when the receiver can work independently and single-handedly solve problems (Cummings and Teng, 2003). In other words, it's not sufficient to transfer the knowledge, it must also be applied to positively influence disseminative capacity. In order to mitigate transfer barriers, e.g. complexity of knowledge or multiple problems, decisions or actions associated with the transfer, the literature suggest on-site training to teach the receiver to actively apply the newly gained knowledge (Szulanski, 2000; Carlile and Reberich, 2003). Moreover, on-site training provides the opportunity of immediate feedback which brings additional value to the sender's disseminative capacity (Carlile and Reberich, 2003).

Worker exchange programs

The impact of worker exchange programs on the knowledge transfer between HQ and foreign subsidiaries is another research perspective on disseminative capacity (Minbaeva and Michailova, 2004; Björkman et al., 2007; Schreiber et al., 2011). Arguably, worker exchange programs, e.g. expatriation, can enhance the sender's ability and willingness to transfer knowledge. Studies argue that expatriates serve as conduits for the transfer of knowledge. Hence, the greater number of expatriates in a subsidiary, the greater is the level of knowledge transfer into the subsidiary from HQ (Björkman et al., 2007; Schreiber et al., 2011). Furthermore, research findings support the argument that that both the willingness and ability of expatriates' disseminative capacity, is positively influenced by both long-term and temporary expatriation solutions. Therefore, MNCs

may consider different expatriation assignments to increase the disseminative capacity of HQs (Minbaeva and Michailova, 2004).

Incentive-systems

Research has investigated how different types of incentive structures can enhance and strengthen knowledge transfer, including disseminative capacity, between units in the MNC (Fey and Furu, 2008). When reviewing the literature which has taken this approach, one can argue that all aspects of knowledge transfer in the MNC, including the disseminative capacity of HQ, can be induced by aligning the compensation systems of subsidiary managers to the performance of the total MNC, rather than applying independent incentive systems for each subsidiary (Fey and Furu, 2008).

2.5.3 Summarizing the theory on disseminative capacity

The existing research agrees on the fact that disseminative capacity is made up by two components, namely (1) the ability and (2) the willingness of the sender to transfer knowledge to peer units in the MNC. Moreover, the literature has identified other determinants of disseminative capacity, such as factors that lower the willingness to transfer knowledge and strategic opportunities. In addition, research has identified management tools to improve disseminative capacity. Among them, one can find attainment of expert knowledge, assessment of recipient knowledge, ability to encode, HQ support of application, worker exchange programs and incentive-bonus systems. However, although an important component in MNC knowledge transfer, it goes without saying that strong disseminative capacity of the sender is not sufficient for successful knowledge transfer, but the absorptive capacity of the receiver is just as important. Thus, a theoretical review of the literature on absorptive capacity is covered in the next chapter of the study.

2.6 The absorptive capacity of subsidiaries

As indicated by several researchers, including for instance Cohen and Levinthal (1990), Szulanski (1996), Zahra and George (2002) and Minbaeva (2007), the recipient's, i.e. subsidiary's, lack of absorptive capacity is an important impediment for the efficient internal knowledge transfer. Thus, understanding the creation and determinants of this capacity is vital when assessing the knowledge transfer relationship between HQ and subsidiaries in an MNC.

2.6.1 The Absorptive Capacity Concept

In 1990, Cohen and Levinthal (1990) introduced the notion of absorptive capacity, which refers to the firm's ability to recognize the value of new knowledge and information as well as to acquire, manage, share and apply it to commercial ends. This capacity resides within the employees of the organization and includes the two elements, *prior knowledge* and *intensity of effort* (Cohen and Levinthal, 1990). Prior knowledge points to the existing units of knowledge accessible within the organization and includes employees' basic skills and abilities, a shared language, prior experience and current information on knowledge fields (Cohen and Levinthal 1990, Szulanski, 1996, Kim, 2001). Apart from prior related knowledge, the organization should also strive to reach new innovations, where its organizational ambition to gain and learn from new knowledge comes into play. The intensity of efforts put by organizational members to solve problems portray their motivational level (Kim, 2001). Building on Cohen and Levinthal (1990), Baldwin et al. (1991) agree that an organization must consist of individuals both possessing the abilities to learn, i.e. prior knowledge, and the motivation to learn, in order for the employees to successfully utilize the absorbed knowledge.

2.6.2 Determinants of absorptive capacity

Evident is that in earlier studies on knowledge transfer, researchers are all unified, although the determinants of absorptive capacity may be called differently by each researcher, that organizational units capacity to take in new knowledge depends on the ability and motivation of its employees. More recent studies on the field do share many similarities with earlier research, where Gupta and Govindarajan (2000), argue that factors that positively affect the inflows of knowledge to a subsidiary are related to “richness of transmission channels, motivational disposition to acquire new knowledge and the capacity to absorb incoming knowledge”. What is added however by Gupta and Govindarajan (2000) is the effect of transmission channels on the absorptive capacity of organizational units. Transmission channels refer to the communication links between the two knowledge entities and can be both informal and formal (Daft and Lengel, 1986; Krone et al., 1987). Key formal communication structures are identified as for example task forces and permanent committees, meaning that the stronger a subsidiary is linked to the MNC network through formal structures, the higher level of communication between the focal unit and

other units. In short, Gupta and Govindarajan (2000) mean that knowledge inflows to a subsidiary from parent company and peer subsidiaries will be greater, the greater dependence on formal mechanisms. Informal communication mechanisms are commonly referred to as corporate socialization mechanisms, and build on relational familiarity, personal likenesses, as well as shared understandings and common beliefs among personnel across different units. All in all, the effects are increased communication between parties, thus it also has a positive impact on knowledge inflow to the subsidiary. Example of socialization mechanisms are job transfers to HQ or peer units and engagement in corporate mentoring programs (Ghoshal and Bartlett, 1988).

2.6.3 Employee ability & motivational disposition as components of absorptive capacity

Although Gupta and Govindarajan (2000) separate the concept motivational disposition of employees and absorptive capacity, even more recent researchers suggest that absorptive capacity should be comprised of specifically employees' motivation and abilities, just as it did by early studies, where these both are needed to facilitate for knowledge transfer between units of the MNC (Minbaeva, 2007; Minbaeva et al., 2003; Chiang 2011). As stated by Minbaeva et al. (2003), "the interaction between employees' ability and motivation will increase the level of knowledge transfer to the subsidiary".

In turn, Chiang (2011) defines employee's ability as enabling access to more and more diverse knowledge, which is important since the more relevant the available knowledge is, the more productive employees become in dealing with innovation. Although abilities of employees constitute a foundation upon which knowledge can be acquired and managed in the organization, Zahra and George (2002) argue that the largest attention should be given to motivational drivers, as these reflect the transformational and exploitative absorptive capacity of the firm. The reason for this focus is that the creation of the capability, which powers the creation and deployment of knowledge required to come up with other organizational capabilities such as marketing or production strategies, is reliant on the knowledge transformation- and exploitation stages (Zahra and George 2002).

Motivation is explained as the activity in which an individual or a group reach not only the MNC's objectives, but also individual or group objectives (Chiang, 2011). One commonly discussed major

barrier to inflow of knowledge to the subsidiary has its roots in the “Not-Invented-Here” (NIH) syndrome (Hayes and Clark, 1985; Katz and Allen, 1982; Szulanski, 1996; Gupta and Govindarajan, 2000). This refers to managers’ tendencies to block information indicating that other organizational units are more competent, or downgrade the power and value of peer units, as results of ego-defense mechanisms and power struggles within organizations. Forces to countervail the negative effects of the NIH-syndrome include, incentives that increase subsidiary managers’ willingness to learn, a relatively limited subsidiary knowledge base and strong forces from HQ (Gupta and Govindarajan, 2000).

As opposed to dissemination of knowledge, i.e. knowledge outflows, where the incentive to transfer knowledge can be characterized as “eagerness to help others”, knowledge inflows requires the feeling of “eagerness to learn and help oneself”. Gupta and Govindarajan (2000) further argue that in subsidiaries where incentive measures are closely linked to the focal unit’s own performance, rather than for a group of units, the personnel’s eagerness to learn is greater, primarily due to the avoidance of free-riders. Connected to the size and characteristics of the subsidiary knowledge base, is the relative economic level in the subsidiary location compared to where HQ is located. The lower economic development of the subsidiary environment, the more eager is subsidiary personnel to learn from parent, hence the greater will the knowledge inflows from parent into the subsidiary be. Last, Gupta and Govindarajan (2000), imply that the final component of employees’ motivational disposition is the level of HQ-subsidiary decentralization, meaning that the lower the decentralization of decision making to a subsidiary, the greater will knowledge inflows be.

2.6.4 Improving absorptive capacity

Although a large amount of research has been conducted, specifying and explaining the components and determinants of absorptive capacity, it provides little emphasis regarding how to develop or improve it (Minbaeva et al., 2003). The limited recent research upon the development of this matter relates to the use of human resource management (HRM) practices and knowledge management tools (Minbaeva et al., 2003; Mahnke et al., 2005), and will be discussed in the following section.

As forwarded by previous studies, it is argued that investments in employees' ability and motivation through the wide depletion of HRM practices and knowledge management tools, give rise to MNC knowledge transfer (Minbaeva et al., 2003; Mahnke et al., 2005). Thus, building on this suggestion, the value for firms in understanding how, and what, of these measures to implement, as well as what effects it would have, is vital for developing the absorptive capacity of employees to increase the knowledge transfer within the MNC. Minbaeva et al. (2003) break down the effects of using HRM practices to increase absorptive capacity into two components, employee abilities and motivation.

Improving employee ability

HRM practices that can be used for leverage employee ability are connected to the strategic acquisition and development of competent human capital, in which an analysis of competencies required for different positions together with an analysis of existing employee pool are the two main activities. Complementing supporting practices that affects employees' skills and competencies, are performance management systems and training, where the former give employees easy access to feedback on their performance and provides for guidelines how to improve abilities to meet the needs of the firm, whereas the latter is directly positively correlated to the organizational performance (Huselid, 1995; Delaney and Huselid, 1996; Koch and McGrath, 1996). In other words, what researchers mean is that training and education, as well as continuous performance assessment, are activities within the MNC that have positive influence on employee abilities, and thus is also positive for the leverage of absorptive capacity. In next section, measures to increase employee motivation is discussed.

Improving employee motivation

In order to better understand how the firm can influence the motivation of knowledge receivers, i.e. motivation of individual employees, subsidiaries or other organizational units, the concept should be broken down into its different natures, *extrinsic* and *intrinsic* motivation (Osterloh and Frey, 2000; 2002; Minbaeva, 2008; Reiss, 2012).

Extrinsic motivation refers to employees' indirect satisfaction of desires through performance-based financial rewards and incentives and is used to organize resources by connecting employees' economic motives to the goals of the firm (Osterloh and Frey, 2000). Performance-based compensation (i.e. monetary rewards) and internal promotion systems are indeed two HRM practices that are seen as drivers of employees' motivation and involvement in knowledge sharing (Arthur, 1994; Huselid, 1995; Minbaeva et al., 2003). In contrast, intrinsic motivation represents the commitment to the task or work itself, indicating that employees take on assignments or activities to feel competent and self-determined. Generally, intrinsic motivation is viewed as more advantageous than extrinsic motivation, since the former comes with the perks of affecting employees to think more creatively or learn, when organizational goals are unclear, and the activity is quite abstract (Frey, 1997). Researchers such as Minbaeva et al. (2003) and Mahnke et al. (2005) do not in their studies take into account for the fact that the effects of a specific HRM practice may differ in terms of the employees' extrinsic and intrinsic motivation. Accordingly, since it is suggested that both kinds of motivation are vital for transferring knowledge (Osterloh and Frey, 2000), it is important to understand what HRM practices that affects what type of motivation and will therefore be discussed in next section.

HRM practices affecting extrinsic motivation

It is suggested that the more a subsidiary adopts HRM practices affecting extrinsic motivation, the better will the absorptive capacity of a subsidiary's employees be, thus the larger is knowledge inflow to that subsidiary (Minbaeva, 2008; Minbaeva et al., 2003). As touched upon previously, in order to make a person stay on the job, the usage of incentive- and compensation systems that reward subsidiary employees for their personal efforts to meet organizational objectives, is required. Included in an extensive rewards system may be salary, bonuses, fringe benefits and paid-for education, and it should have a selective function, meaning that the better the employee's performance is, the more rewards should it gain (Deci, 1975). Just as training, through activities such as employee performance evaluation and establishment of programs of how to reach management expectations, is said to increase employee ability (Minbaeva et al., 2003), it also increases employee extrinsic motivation (Minbaeva, 2008). More specifically, it is asserted that knowledge sharing in itself can be the center of attention for some monetary incentives, where employees are rewarded based on how much knowledge they share with others, for example

regarding different innovations etc. (Brock et al., 2005). However, pure performance-based compensation is not enough to motivate employees to perform effectively and transfer knowledge, but yet again, one needs to touch upon the employees' intrinsic motivation (Vroom and Deci, 1970), thus evoke the need for further investigation on this matter in the next section.

HRM practices affecting intrinsic motivation

Just as HRM practices affecting extrinsic motivation are suggested to have a positive impact on knowledge transfer, also HRM practices influencing on intrinsic motivation is supposed to yield the same result. In short, HRM practices that focus on self-actualization, self-control and self-regulation positively affects employees' intrinsic motivation (Minbaeva, 2008). Intrinsic motivation is quite abstract and demands more set-up and process-related requirements where the subsidiary employee is provided with great opportunities to engage in decision making on matters important for themselves, which are seen as both challenging and interesting (Deci, 1975). Practices that benefits the employees' work-life balance, including flexible schedules and job design, are viewed as important to achieve intrinsic motivation. Moreover, job exchanges, where employees from different units can gain insights from each other may help the organization to better allocate employees' individual needs for development, even though challenges of cultural differences and interunit competition may occur. Apart from the learnings gained, employees may feel more involved and reach self-actualization (Minbaeva, 2008).

Important to note however, is that even though HRM practices affecting the two types of motivation often are used simultaneously, there is a risk that practices that influences intrinsic motivation may be out crowded when applied together with practices supporting extrinsic motivation (Minbaeva, 2008). In practice, this means that monetary incentives or punishments may weaken employees' interest in their task, and there is a risk that the effects of initiating extrinsic motivation to individuals already intrinsically motivated, have negative consequences (Kohn, 1993; Frey, 1997; Frey and Jegen, 2001).

2.6.5 Summarizing the theory on absorptive capacity

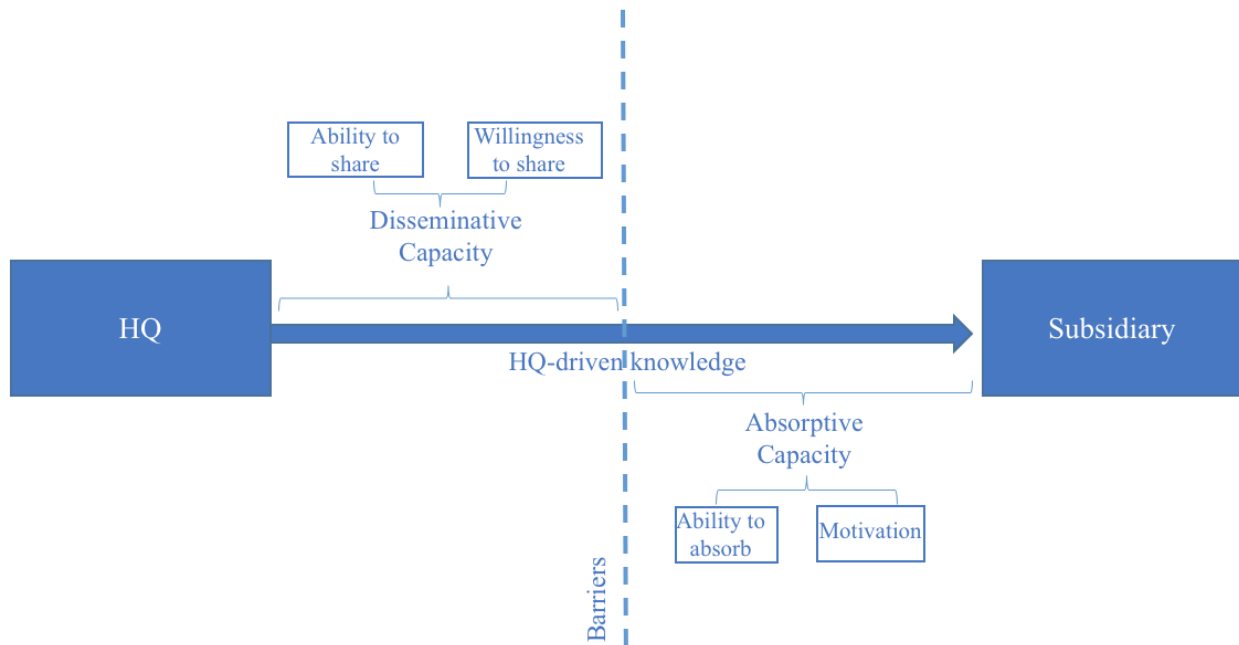
Cohen and Levinthal (1990) have set the foundation of absorptive capacity by defining it as a firm's ability to recognize the value of new knowledge and information as well as to acquire, manage, share and apply it to commercial ends. Moreover, according to Cohen and Levinthal (1990), the absorptive capacity of an MNC unit resides in two elements, i.e. (1) prior knowledge and (2) intensity of effort. The existing literature has also attempted to identify the determinants and components of absorptive capacity. For example, Gupta and Govindarajan (2000) emphasized richness of transmission channels, motivational disposition to acquire new knowledge and the capacity to absorb incoming knowledge as important determinants. However, research has also identified employees' ability and motivation to absorb knowledge (Minbaeva, 2007; Minbaeva et al., 2003; Chiang 2011). Furthermore, although limited research exists on how to improve and develop absorptive capacity, i.e. strengthen employees' ability and motivation to absorb knowledge, the literature has attempted to investigate the how absorptive capacity can be improved through HRM practices and knowledge management tools. Generally speaking, HRM practices and management tools, e.g. training and performance management systems, have a positive impact on employees' ability to absorb knowledge. Employees' motivation, often divided into extrinsic and intrinsic motivation, can also be enhanced by using HRM practices. To note, however, the literature stress that a mix of intrinsic and extrinsic motivation can negatively affect employees' absorptive capacity (Kohn, 1993; Frey, 1997; Frey and Jegen, 2001).

2.7 Presenting the conceptual model of the HQ-driven knowledge transfer process

By summarizing the theory on knowledge transfer, a conceptual model is presented in Figure 2. As visualized in the figure, the knowledge transfer includes a sender and receiver of knowledge, represented by HQ as the sending unit, and the subsidiary as the receiving unit. The major components determining the disseminative, or sending, capacity of the HQ are the unit's ability and willingness to share information to subsidiaries, as also shown in Figure 2. As for theory's most emphasized components constituting the receiving unit's (subsidiary) ability to absorb new knowledge from the sending unit (HQ), they include the unit's ability and motivation to take in new information, also presented Figure 2. The HQ-driven knowledge then goes from HQ to the subsidiary, and the efficiency depends on, apart from the disseminative capacity of the HQ and the

absorptive capacity of the subsidiary, barriers such as cultural differences and communication issues.

Figure 2. The conceptualized and summarized HQ-driven knowledge transfer process Model



Source: Compiled by authors. Based on presented theoretical framework.

3. Methodology

In order to grasp the context of this problem, this thesis is conducted with a case study, where an investigation is made on a dyadic level, studying the HQ-subsidary knowledge transfer relationship in the Swedish industrial firm Epiroc. This chapter of the report aims to provide for an insight to how this study was conducted, and to describe the underlying process. First, a motivation behind the choice of research approach, method and design will be given. Further on, the research process will be described and here we will see how it has given value to the study, this will be followed by a description of the data collection- and analysis phase and finally the quality of the study will be discussed.

3.1 Research Approach

Taking into account the phenomenon studied and the purpose of our study, i.e. investigating how MNCs' HQ-driven knowledge transfer process unfold, the most suitable research method was a qualitative one. Understanding and choosing the most appropriate and relevant approach in regard to the purpose of the study is vital for the strive of providing a reliable result (Bryman and Bell, 2011; Creswell, 2014). Naturally, as the purpose indicates that the data to be collected and analyzed regards descriptions of the behavior and attitudes of business units and their individuals, and is non-ordinal, this should be described in an in depth qualitative analysis, which is also consistent with Bryman and Bell (2011) and Jacobsen (2002), who argue for a qualitative method when the objective is to gain a deeper understanding of a phenomenon. Also, taking into account that the theory included in the studied area, being knowledge transfer including disseminative- and absorptive capacity, that is to be compared to the data collected, it becomes evident that the qualitative method is to be preferred.

Apart from being a result of a qualitative research method, the study was inspired both by the deductive and the abductive approach. The study started off with influences from a deductive process by initiating an extraction of problem scenario from literature. However, in the aftermath the researchers found that there was a need to integrate new theory in the analysis, which subsequently turned the study more towards an abductive approach. The move towards an abductive style provided for a deepened understanding of the researched area as one was able to

move between theory and empirical findings, giving the researchers more flexibility to continuously develop and change theory before, during and after the gathering of empirical data (Dubois and Gadde, 2002; Yin, 2010). In practice, this allowed us to compare the collected empirical data with existing theory fields within the study (Adams et al., 2007), i.e. knowledge transfer, disseminative capacity and absorptive capacity, and to combine theory rather than investigating each aspect in isolation. Moreover, as the analysis of empirical findings and theory takes form, other theoretical insights that are not previously discussed in the theory chapter are relevant for discussion.

In order to gain an insight of how knowledge transfer unfolds in an industrial MNC, it requires an explanation of the study through empirical description of the knowledge transfer relationship between HQ and subsidiaries and what affects this relationship which, in turn, will be guided and impacted by theoretical reasoning around the subject of knowledge transfer. As the research question regards the detection of *how* knowledge transfer between HQ and subsidiaries in an industrial MNC unfolds, a case study approach is chosen as it allows for good opportunities to answer the posed questions due to the empirical richness of the case study, and since a case study gives the opportunity to closer collaboration and more spontaneous exchange of information (Welch et al., 2011; Yin, 2014).

3.2 Research Design

A discussion regarding the study's research design is presented below. First, the reasoning regarding a multiple case study is elaborated upon, followed by the choice of case study.

3.2.1 The multiple case study

In accordance with Aharoni (2011) and Fletcher and Plakoyianni (2011), the conduct of a case study allows for a more in depth and unbiased analysis, investigating how management in reality is performed and should provide for an extensive foundation of data and different angles and relationships, upon which an analytical generalization could be made. Further, the case study perspective is chosen as it supports to answer the *how*- and *why* question, rather than the *what* (Tsang, 2014). Since the unit of analysis of this study includes the dyadic perspective, investigating the HQ-subsidiary knowledge transfer relationship from an HQ-perspective, and not the case

enterprise as a whole, a multiple case study method was chosen, where the number of investigated cases are four organizational units. Consistent with Baxter and Jack (2008), this dissertation studies multiple cases in order to understand differences and similarities among different organizational units. Moreover, in accordance with Eisenhardt (1991) and Yin (2003), the multiple case study allows for data analysis within each situation, but also across situations, deepening the level of analysis, and facilitates for clarification of the findings' value. The study does not include more cases due to resource and time-issues, but still it allows for detection of patterns. In accordance with Eisenhardt and Graebner (2007), the most prominent advantage with a multiple case study is that it provides for convincing findings since they are grounded by several evidence, enabling a broader investigation of the research question. To sum up on the choice of multiple case study, it is a suitable approach since it has the result of enhancing the study's external validity and generalizability (Merriam, 1998).

In accordance with Merriam (1998), the case study is required to be empirically descriptive, particularistic and heuristic, where our study first fulfills the *descriptive* requirement as it profoundly describes the current nature of, and needed conditions for, knowledge transfer determinants in a multinational industrial company that finds itself in a transformation process, where focus lies on how to transfer and implement a dynamic sales strategy in local sales subsidiaries. The study's dyadic investigation approach, where the HQ-subsubsidiary relationship is taken into account, investigates the current nature of factors affecting HQ's capacity to disseminate, i.e. transfer, new knowledge to subsidiaries, as well as subsidiaries' capacity to absorb, i.e. take in, new knowledge deriving from HQ.

The focus on the knowledge relationship between HQ and sales subsidiaries under the period, in which the focus-company undergoes a dynamic transformation, makes the study *particular*. Finally, regarding the study's heuristic nature, meaning that it should provide the reader with an incremental understanding of the phenomenon of investigation (Merriam, 1998), the structuring of the study fulfills this requirement. This since, the study provides for a comprehensive discussion of relevant theoretical findings, an empirical description of the knowledge transfer relationship between HQ and sales subsidiaries, followed by an analysis aiming to provide for implications and

concretizations of the nature of the internal knowledge transfer process that exists in an industrial MNC.

The nature of the case study is such that it is cross-sectional and punctuated, since visits to the data collection locations took place during a specific point in time, only once with each interviewee and where real-time data was collected (Soulsby and Clark, 2011). As the aim of this study regards the examination of knowledge transfer relationship between HQ and subsidiaries, not throughout a longer period, the cross-sectional method was used over a longitudinal method.

3.2.2 Choosing the case study

First, the chosen case should be based on its ability to provide for insights required in order to fulfil the purpose of the study and enable the researcher to answer upon the posed research question (Merriam, 1998). In order to be valid and to enhance generalizability, the case enterprise itself needs to comply with specific conditions (Fletcher and Plakoyiannaki, 2011).

In this study, focus was put on finding a large international organization that works with knowledge transfer and sharing globally, positioned in an industry that enables an investigation of the transfer of tacit knowledge, as the nature of this more abstract and innovative knowledge often results in a more complex knowledge transfer process. When deciding upon case enterprise, an extensive screening was carried out, where it was evaluated based upon previous criteria, but also based on the richness of potential interview targets. The reason why the selection process resulted in Epiroc (formerly part of Atlas Copco) as case enterprise, was first due to its multinational nature, with HQ located in Sweden and hundreds of units spread across the globe, enabling a contribution within the field of International Business. Second, as Epiroc is situated in an industry (the industrial sector) that currently undergoes a huge transformation, and since the enterprise finds itself in a position where it strives to transform into a more dynamic enterprise, which in turn requires greater exchange of tacit knowledge between organizational units, Epiroc makes a suitable case. Third, since one of the researchers has conducted an internship at the case enterprise prior to this specific study, it provided for the valuable opportunity, and access, to a large number of interview targets, which in turn is important in order to provide for a more accurate study. Last, being a Swedish organization, and most importantly also headquartered in Sweden, its proximity and availability

had a facilitating impact on communication and the research process in general. All in all, the choice of case can also be seen as a result of both purposeful and convenience sampling. Purposeful due to researchers' knowledge of the chosen enterprise being positioned in a place in which it was likely to fulfil pre-stipulated criteria, and convenience due to HQ's and investigated subsidiaries' willingness to cooperate, providing for fundamental access to data (Merriam, 1998).

Regarding the choice of what organizational units to cover in this investigation, the complex and sometimes complicated nature of the MNC calls for a decision of what angles of it to study. Naturally due to the unit of analysis of this study, i.e. dyadic level on the HQ-subsidary knowledge transfer relationship from an HQ-perspective, this results in several visits and interviews with the case enterprise's corporate HQ in Örebro, Sweden. Second, it requires an investigation of the matter on knowledge transfer from the perspective of the subsidiaries. Since the case enterprise consists of more than hundred subsidiary units, a selection process was required to be conducted here as well. Criteria used in the selection of subsidiary included decisions both regarding geographical location, as well as function. Given that the purpose of the study is to investigate how MNCs' HQ-driven knowledge transfer process unfold, the transfer and implementation of knowledge between the HQ and *sales* subsidiaries was seen as a suitable study-target. This is, since one can understand that the effects, and importance, of knowledge transfer for a dynamic MNC, is especially visible and prominent between the HQ and *sales units*, as the sales units have ultimate responsibility to commercialize the new ideas, and sell new orientations to the customers. Regarding the choice of geographical location of the investigated sales subsidiaries, it was determined by subsidiary performance and their closeness to the HQ, to facilitate for field-trips, since the desire was to investigate subsidiaries positioned not too far from HQ. The aim was to study one well-performing subsidiary, one with poor performance and at least one, located not as close to the HQ as the other two, consistent with existing research. These criteria resulted in a study of following sales subsidiaries: Epiroc Customer Centre in Hemel Hempstead, UK; Epiroc Customer Centre in Oslo, Norway; Epiroc Customer Centre in Stockholm, Sweden.

All in all, the choice of case has potential to add to existing theory on knowledge transfer and add insights on a new dimension, i.e. the opportunity to theorize and provide for an explanatory

description of a *HQ-driven* knowledge transfer relationship between HQ and subsidiaries in an industrial MNC, including a HQ perspective.

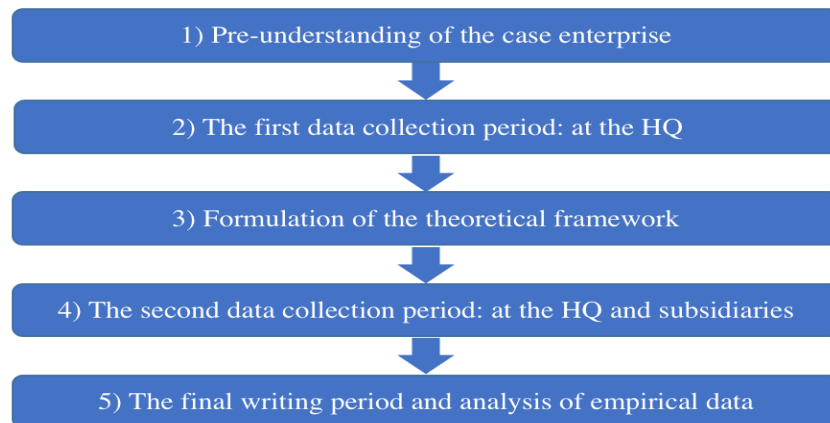
3.3 Research Process

The research process of the study was made up of several different stages and consisted of two periods of theoretical data creation, as well as two period of empirical data collection. In the first period, where stage 1 and 2 were included, focus was much on obtaining a comprehend and overall picture of the case enterprise, its different functions and divisions, its customers and distribution channels, as well as its strive for a dynamic strategy. Thus, during this initial stage, a pre-understanding regarding the MNC was gained (stage 1 in Figure 3) which included data collection at the HQ (stage 2 in Figure 3), and it was also during this period that the ultimate research question was formulated.

During the second period, including stage 3 and 4, the theoretical subject upon which the research question of the study was to be built on, i.e. knowledge transfer in MNCs, was the center of attention. Here, a more extensive reading phase (stage 3 in Figure 3) was initiated, in order to allow for a deep understanding of the studied subject. As a result of this readings, sufficient knowledge regarding the HQ and subsidiary's role in the MNC, the characteristics of tacit knowledge as well as determinants of knowledge transfer enabled the development of the theoretical foundation for the study. The formulation of the theoretical framework would work to facilitate for the following data collection, made both at HQ and at four sales subsidiaries. During the data collection period (stage 4 in Figure 3), as consistent with the abductive research approach, empirical data collected through interviews (primarily) was continually compared with the theoretical framework, in order to find similarities and differences between them two. The collected empirical data from the two data collection periods had the objective to enlighten us regarding the current conditions and nature of knowledge transfer determinants between the HQ and the investigated subsidiaries, where interesting dissimilarities and interpretations of the relationship could be found, based on the different organizational units. In the last stage of the research process (stage 5 in Figure 3), the collected data was analyzed through the perspective of the theoretical framework. Moreover, during this stage, a degree of polishing of the previous parts was done in order to provide for an

as complete understanding of the knowledge transfer relationship in an industrial MNC, as possible.

Figure 3: The Research Process



3.4 Data Collection

The collection of empirical data will be described in the primary data section below, and will include a discussion of the method used and the choice of interviewees. This section will be followed by the secondary data section, where a description of the method used for gathering of secondary data will be provided for.

3.4.1 Primary data

The period in which the study's primary data was collected was in 2018 and the primary data is dominantly collected through an extensive amount of semi-structured interviews, which will be discussed further down below. Through one of the researcher's already established contact with one of the Product Managers at the case enterprise's HQ, access to interviewees in the form of superiors, co-workers and subsidiary representatives was ensured. The Product Manager further took the researchers on a visit of the HQ and its production operations, in order to provide for an understanding of the case enterprise's product portfolio, as well as giving an overview of the position and the challenges that the organization was facing by that time. Primary data collection at HQ took place during approximately two weeks, in which one also got a great insight into the organization's transformation process into a more dynamic enterprise. The value of the data collection at HQ was, first and foremost, the opportunity to study managers and directors, who

have a significant position and role in knowledge transfer in the organization and a strong impact on the subsidiaries through their position in the organization. In the following two weeks, primary data collection was made at, or with, three sales subsidiaries located in England, Sweden and Norway. All in all, the data collection from sales subsidiaries provided for a deeper understanding of subsidiaries perception of the function of HQ and the knowledge transfer relationship between HQ and them.

Choosing interviewees

When deciding upon interview targets, these were evaluated based on their potential relevance for the study, and their potential to contribute to the foundation upon which the research question of the study could be answered, which is line with existing literature on the field (Yin, 2010).

For the actual operative selection and execution of interviews, the researchers' key contacts, and the Product Manager at HQ, provided for the initial contact information of potentially relevant people, both at HQ, but also at the sales subsidiaries. Apart from the support from the Product Manager, as one of the researchers had conducted an internship at the case enterprise in the previous year, a lot of networking through old contacts and interactions could be made, which resulted in the majority of the interview contacts. Further, the famous snowball phenomenon (Bryman and Bell, 2011) prevailed during several interviews, as the interviewees recommended other suitable interview targets. When reaching out to potential interview targets, their position, tasks and location within the organization were evaluated, where the aim was to gather data from persons positioned at different hierarchical levels, both at HQ and the sales subsidiaries, to provide for a nuanced view of the relationship between HQ and the subsidiaries. Thus, the interviews included both HQ managers and directors, as well as subsidiary directors, managers, and sales personnel.

Semi-structured interviews

A semi-structured interview technique was used since it, as consistent with Bryman and Bell (2011), provides a flexibility to the data collection process, and through this offers an enhanced understanding of the behavior and views within the HQ and the subsidiaries, and of the knowledge

transfer relationship between the HQ and sales subsidiaries in the case enterprise. We decided upon this interview method to be the most adequate in this case, even though, according to Eriksson and Kovalainen (2008), there is a risk that semi-structured interviews drive the discussions in a direction that is consistent with the interviewer's pre-expectation, as well as experienced difficulties in analyzing the empirical data due to interviewees different interpretations of a certain question.

The first stage in the data collection activity through semi-structured interviews, was to formulate an appropriate interview guide, in which all potential questions and topics that needed to be covered in order to answer the research questions were included and to a large degree built on theory. This interview guide is available in the Appendix, and is an important tool to use in order to not miss out on relevant information and to keep interviews relevant for the purpose of this study. In order to limit how much the interview guide was controlling the interview, the interviewers adopted a flexible and open-minded approach (Yin, 2010).

Interview process

In accordance with Bryman and Bell (2011), voice recording was, after approved, carried out during the interviews in order to provide for a deeper control and collection over the interview answers. As recording has the potential of being a source of discomfort and distraction for the interviewees, a careful assessment of each new interviewee's attitude and signal towards the question if they approved to be recorded was carried out, in order to receive as valuable and honest responses as possible. Due to the opportunity to record, the subject was broadly and detailed discussed, and many follow-up questions were posed, given the positive aspect of being able to repeatedly go back to the interview responses in the records. Apart from recordings, notes were taken on computer during all interviews, in order to facilitate for the understanding of responses, as well as facilitating for continuous follow-up questions. Moreover, recordings were transcribed and notes were clarified and stored soon after the interviews were held, in order to ensure up-to date and valid interpretations of the data. The structure and role of the two interviewers that were present at the majority of the interviews was that one took notes, controlled the recording and filled in with clarifying questions if needed, whereas the other one drove the discussion and asked

questions to the interviewee. The interviews lasted for approximately 40-80 minutes, where the pre-estimated time frame was around 60 minutes. Due to the nature of the topic, being both broad and specific simultaneously, and due to the fact that in all subsidiary interviews a level of description regarding specifics of local conditions was needed to be explained, the interviews were lengthened. To streamline and focus the interviews despite its extensive nature, the pre-understanding of the subject among the interviewers was vital. The language chosen for the different interviews was either Swedish or English, where Xian (2008)'s translation issue is taken into account in the process of translating responses and expressions into English, although a small risk of subjectivism still exists.

Even though there could be advantages with telephone interviews, the number of telephone interviews has been limited to six out of seventeen in this study. There are several reasons why the number of telephone interviews was limited, such as the general disadvantages of telephone interviews where one is not able to observe body language and facial expressions, and the quality of information received is lower than for a face-to-face interview. Moreover, the lack of real life interaction between interviewer and interviewee, leads to loss of small talk that often has the potential to create a sense of trust between the interviewee and the interviewer. Thus, in the light of subject area of the study, it's deemed that face-to-face interview is the best option since it can result in more reliable, open and elaborative answers than a telephone interview. On the whole, seventeen interviews were conducted, representing almost twenty hours, which is visible in Table 1.

Table 1. List of interviewees.

	Title	Location	Date	Interview duration	Medium
A	Regional Business Manager, Asia (HQ)	Thailand	2018-04-10	30 min	Phone
B	Regional Business Manager, Russia & Middle-East (HQ)	Sweden	2018-03-16	60 min	Face-to-face
C	Regional Business Manager, Europe & Africa (HQ)	Sweden	2018-03-16	80 min	Face-to-face
D	Global Product Manager (HQ)	Sweden	2018-03-16	40 min	Face-to-face
E	Regional Business Support America (HQ)	Sweden	2018-03-09	50 min	Face-to-face
F	Vice President Marketing & Business Development (HQ)	Sweden	2018-03-16	50 min	Face-to-face
G	Application Specialist (HQ)	Sweden	2018-03-09	60 min	Face-to-face
H	General Manager (Sales subsidiary)	Norway	2018-03-23	80 min	Face-to-face
J	Business Line Manager (Sales subsidiary)	UK	2018-04-09	80 min	Face-to-face
K	Business Line Manager (Sales subsidiary)	UK	2018-04-10	60 min	Face-to-face
L	Business Line Manager (Sales subsidiary)	Norway	2018-04-04	45 min	Phone
M	Business Line Manager (Sales subsidiary)	Norway	2018-03-23	60 min	Face-to-face
N	Business Line Manager (Sales subsidiary)	Sweden	2018-03-21	80 min	Phone
O	Sales engineer (Sales subsidiary)	Norway	2018-03-16	30 min	Phone
P	Sales engineer (Sales subsidiary)	Norway	2018-03-21	45 min	Phone
Q	Sales engineer (Sales subsidiary)	Sweden	2018-03-15	60 min	Face-to-face
R	Sales personnel (Sales subsidiary)	Sweden	2018-03-13	50 min	Phone

3.4.2 Secondary data

Secondary data collection was limited and used in order to complement the study in ways of providing background information about the case enterprise. It derived from the case enterprise's official webpage. This basic understanding of the case enterprise in turn helped us with the interviews, especially the ones performed in early stages of the study to make the process of understanding each other more efficient.

3.5 Analysis process

Before moving into the analysis of the study, where a comparison and benchmark between theory and empirical results was to be performed, the notes deriving from transcriptions of interviews were arranged and sorted through inductive and deductive coding, using the qualitative analytics tool NVivo. Categories of codes were formed after structure and headings similar to theory

structure, in order to provide for a comprehensive overlook over the gathered data (Bryman and Bell, 2011). This assorting of empirical data also enabled detection of relevant parts missing in either theory or empirics, and caused few changes of the theoretical framework. Example of nodes used were “Subsidiary motivational drivers”, “Subsidiary needs and opinions regarding reward systems”, “Subsidiary training”, “HQ’s assessment of recipient knowledge”, “Knowledge hoarding - reasons for HQ not to share knowledge” and “Attainment of expert knowledge”. The NVivo program facilitated the analysis process, since it paired up empirical data from interviews with related theory section, thus making the analysis process more effective and covering. The creation of nodes most important contribution throughout the study was its positive impact on the structure. However, in order to get a deeper analysis and better show the process, individual interview materials were reviewed and analyzed several times. The structure of the analysis is underpinned by the structure of the theoretical framework, but topics are changed in ways to pinpoint the main takeaways since it came across as the best approach to fulfil the purpose of the study and provide for an understanding regarding how MNCs HQ-driven knowledge transfer process unfolds. Although the majority of information from the theory has been used in the analysis process, there is a smaller part to it that ends up serving more as background, than actively included in the analysis.

3.6 Quality of the study

In order to ensure the reliability and trustworthiness of the study, and to make sure that the study can answer the research question and contribute to the existing literature, it's important to discuss and consider the quality of the study (Bryman and Bell, 2011). Thus, the quality of the study will be discussed using the following criteria; (1) credibility, (2) dependability, (3) transferability and (4) confirmability. The mentioned criteria were chosen because they are the subcomponents of trustworthiness which make them suitable for ensuring the quality of a qualitative study (Bryman & Bell, 2011).

3.6.1 Credibility

Credibility refers to internal validity, i.e. how believable the findings are (Bryman and Bell, 2011). To increase the credibility of the study, several measures were taken. First, the authors gained an in-depth understanding about the case enterprise and its operations. In addition, the authors

reviewed existing literature in the field of knowledge transfer to gain a deep knowledge of the concept. Second, the authors used the concept of *triangulation*, i.e. using more than one source of data in a social phenomenon to be able to cross-check the findings, to enhance the credibility of the study (Bryman and Bell, 2011). More specifically, data was collected from several interviewees from different levels of the case enterprise to enable the authors to make cross-comparisons and, hence, decreasing a possible bias among interviewees. Moreover, interviews with interviewees from different levels also offered the authors several perspectives on the knowledge transfer process between HQ and subsidiaries.

3.6.2 Dependability

Dependability, parallel to reliability in a quantitative study, refers to the degree to which the findings of the study are likely to apply in other studies. In other words, if the findings are to be replicated if the study is conducted by other researchers (Bryman & Bell, 2011). The dependability of this study has been ensured by multiple measures. First, the research process, i.e. the methodology, is described in detail to give the reader a complete picture of how the research was conducted, both in terms of the theoretical building process and the process of conducting the interviews. Second, a detailed comparison between the theoretical framework and the empirical findings has been outlined in the analysis chapter which, in turn, will lead similar findings if the study would be replicated by other researchers. These measures will help enhancing the dependability of the study (Lincoln and Guba, 1985).

Moreover, although the case study approach is sometimes condemned for lacking generality or reliability (Aharoni, 2010), it enables a more comprehensive investigation and analysis of a complex and abstract issue such as knowledge transfer, than another method could provide for. Also, a multiple case study was chosen as it, due to its inclusion of several evidence, increases the generalizability of the study, and is appropriate when studying cross-border context (Merriam, 1998; Fletcher and Plakoyiannaki, 2011). Being able to repeat questions and having an interview process where the interviewees continuously can clarify, illustrate or explain their responses provides the investigation with profundity (Ghauri, 2004). By ensuring to have a large number of interviewees and sources for the gathering of empirical data from the case study, the study's accuracy should, in line with Dubois and Gadde (2002), be improved.

3.6.3 Transferability

Transferability, similar to external validity in a quantitative study, refers to the extent to which the findings of a study can be transferred or generalized to other settings and contexts (Bryman & Bell, 2011). Transferability of this study is enhanced by using *thick description*, i.e. detailed accounts of a social setting which sets the basis for general statements about a culture (Geertz, 1973; Bryman and Bell, 2011). Thus, descriptions of the research method and the case enterprise, and a detailed theoretical foundation form the basis of transferability by giving the study an analytical generalizability and support similar research to be conducted in a similar context (Yin, 2014).

3.6.4 Confirmability

Although it is acknowledged that complete objectivity is impossible to reach in research, confirmability refers to the practice that the researcher/s have acted in good faith and that personal values or theoretical preferences don't impact the findings deriving from the study (Bryman and Bell, 2011). Hence, establishing confirmability of the study is of greatest importance (Guba and Lincoln, 1994). Confirmability of this study has been ensured through detailed descriptions of the research process and triangulation of interviewees to make sure the findings are not biased based on the opinions a few selected individuals.

The researchers of this study understand that one of the researcher's previous temporary employment at the case enterprise can be perceived by some to have a biased result on the findings of the study. However, in addition to the measures mentioned foregoing, additional measures have been taken to ensure the greatest objectivity possible. The researcher's previous employment has only been utilized to reach out to interviewees and to coordinate interviews. Hence, in all other aspects, the researcher's previous employment has not been used to impact the answers of the interviewees or to let relationships with interviewees affect the findings of the study. Moreover, prior to every interview, the interviewees were informed that this study is not linked to the researcher's previous project employment, but rather a separate study for research purposes. Furthermore, which is important to remember, the second researcher has not been employed by the case enterprise in the past. Hence, due to the inputs of the second researcher, all potential biased outcomes and practices have been eradicated from the research process. In matter of fact, the

previous employment of one of the researchers is considered a strength, since the researcher has a solid knowledge base of the case enterprise which contributes positively to the study. Thus, since both researchers of this study have taken the role of traditional researchers, and by minimizing the impact of the previous researcher's previous project employment to the greatest extent possible, the study has been carried out with the highest degree of confirmability as possible.

3.7 Ethical considerations

When conducting qualitative research, ethical considerations are of the highest importance and must be kept throughout the whole research process (Yin, 2010). When a qualitative study is made, the researchers interfere with interviewees personal sphere and, hence, it's important that the participants don't feel any pressure to participate in the study or receive any reward for doing the interview (Jacobsen, 2002; Bryman & Bell, 2011). Thus, none of the participants have been forced, or received any reward, for participating in the study. Moreover, in line with Diener and Crandall's (1978) principles of ethical research, measures have been taken to make sure participants (1) haven't been harmed by the study, (2) don't lack any informed consent, (3) not having their privacy invaded and (4) not been deceptive by the study. These principles have been kept throughout the study to ensure its objectivity (Yin, 2010).

To make sure that no individuals have been harmed by the study, physically or mentally, sensitive information has been kept with confidentiality and all interviewees have been offered anonymity. To strengthen the informed consent among interviewees, all participants have been given information about the study to make an informed decision whether they wanted to participate in the study or not. Furthermore, the interviewees were informed about which observation techniques, e.g. recording devices, were used during the interviews. To make sure that the participants didn't have their privacy invaded, they were free to avoid answering any of the questions asked and were not pressured to answer if they felt reluctant to answer a question. Last, in order to avoid deception, all interviewees were clearly informed about the purpose and what the study was about (Bryman and Bell, 2011). In addition, the researchers offered to send the questions beforehand, so the participant could get a clear picture of the study and the purpose. By applying the measure mentioned foregoing, the study is considered to have been carried out as ethically as possible.

4. Empirical Findings

As for the following chapter, the empirical findings made from the case study will be presented. It will start off by providing a general background to the case enterprise, and from here the role of the HQ and the relationship between HQ and subsidiaries in the case will be discussed. These topics will in turn be followed by sections regarding the process of transferring knowledge from the HQ to subsidiaries, the process of knowledge absorption among subsidiaries. Finally, the chapter finishes with a presentation of emphasized factors to improve the HQ-driven knowledge transfer process.

4.1 Presenting the Case Enterprise

In 2017, Atlas Copco, the Swedish industrial MNC with an annual revenue of approximately 11.3 billion EUR, announced its plan to split the company into two different entities in order to enable further growth of the whole company group (Atlas Copco, 2017a; Atlas Copco, 2017b). Initially operating under one brand, one division served industrial customers through vacuum technique, compressor technique, industrial technique and portable energy, whereas the other division served customers in mining and civil engineering. However, since the two divisions had different end-markets and demand drivers, both being global leaders in their respective fields and synergies between the two were limited, a decision to separate the company into two world-leading listed companies was confirmed. As a result, Epiroc was founded, the newly created company that would focus on customers with mining and civil engineering (Atlas Copco, 2017a; Atlas Copco, 2017c). With its origin in Atlas Copco's Mining and Rock Excavation division, Epiroc is built upon the expertise, quality and performance of Atlas Copco with 144 years of experience (Epiroc, 2018a). The company develops, produces and provides innovative rock excavation and construction equipment, drill rigs and services and consumables for customers within mining, infrastructure and natural resources in more than 150 countries (Epiroc, 2018b). Given that shareholders approve Epiroc on the annual meeting in the beginning of 2018, the company will be listed as an independent company on the Stockholm stock exchange during the second quarter of the same year (Atlas Copco, 2017d).

As Atlas Copco and Epiroc have been divided into two separate entities, the management for each respective unit is free to set their own strategy to approach their customer segments. Thus, due to increased competition, new customer demands and internal pressure, Epiroc is looking to transform its business model from being product-oriented to solution-based. In other words, instead of approaching the customer with individual products, interviewees at HQ expressed a desire to offer a complete solution to the customer's project. According to the interviewees, the purpose of the new business model is to create synergies among the products within the vast product portfolio and to enhance customers' productivity.

As mentioned in the Methodology chapter, this study includes interviews with the corporate HQ and three sales subsidiaries located in Sweden, Norway and the UK. Hence, all subsidiaries are located in environments with high economic level and should also be seen as mature units, since they offer wide sets of sophisticated products as well as services, and since they operate with a wide range of customers and partners.

4.2 The role of HQ as a supporter to sales subsidiaries in the MNC and the varying nature of the HQ-subsidary relationship

This section is divided into two parts. First, a discussion of how the case enterprise HQ is more a supporter than innovator is provided. Thereafter, the communication and relationship creation between HQ and subsidiaries is described.

4.2.1 HQ being more a supporter than innovator due to an industry boom

After examining both HQ's and sales subsidiaries' perspectives of what function the HQ in Örebro has, it prevails that all interviewees believe on the whole, that it has both a supporting role, as well as being a source of new innovation and knowledge. They mean that HQ works as a support unit since it manages inquiries from sales subsidiaries regarding areas such as the marketing of products, prices and information about product specifics, while simultaneously developing new products and conducting market research in order to gain insights about new trends, customer needs, regulations and challenges. As the major part of the organization's production is placed together with HQ, it goes without saying HQ plays an active role in driving product development and innovation, as indicated Regional Business Manager B. Further, it is shown that each sales

subsidiary is by HQ given a large amount of mandate to adapt material, information and new strategies deriving from HQ to fit the local market needs, and generally all sales subsidiaries decide themselves how to steer and operate the business. Thus, the sales subsidiaries are seen as more autonomous than centralized in the MNC. The authors interpret however, that there exist a slight alternation in the level of autonomy between the three investigated subsidiaries, where the Swedish subsidiary is of higher autonomy and more independent than the UK and the Norwegian subsidiaries. Although, as within most large companies with geographically dispersed units, there are several more holistic and non-operational directives and strategies deriving from HQ, which the subsidiaries should be aligned with.

The interviewees estimate the ratio between support activities and innovation activities to be around 80 and 20 percent respectively, especially as new strategies are often not changed more frequently than every third year. Although there is a consensus among interviewees that HQ is both a supporting function and a source of innovation, there are some differences between the HQ- and the subsidiary interview perspective, and it also varies between the different subsidiaries, regarding the more specific tasks and functions of the HQ. Some of the subsidiary interviewees believe they are almost completely autonomous and view HQ more as a supplier than being actively engaged in their business. As stated by Business Line Manager N, from the Swedish sales subsidiary:

“We see them as our supplier, we buy machines from them to sell on our market. Besides this main function, they do have a supporting function in that they provide for knowledge support in areas that we are weak in”

In comparison, the subsidiary interviewees at the Norwegian sales subsidiary believe HQ is equally a source of innovation and support:

“We see them equally as a partner for support, training and innovation, and for me the interaction with HQ regards new ideas and products more than it regards support” -

Sales Engineer P

“I perceive the HQ as being just as much a hub of innovations as a support function, and we work closely with the HQ and are located close to it, which is quite luxurious”-

General Manager H

4.2.2 Communication and relationship building between HQ and subsidiaries are areas for improvement

Communication tools

After interviewing the employees, it becomes clear that the utilized forms of simple day-to-day communications within the case enterprise are email, phone, Skype, WhatsApp, WebEx or personal meetings, where the former is the most commonly used. Moreover, the subsidiary interviewees mention that they often are directed to use a sort of customer service communication tools called Acign and Jabber, which are chat-rooms for non-urgent questions regarding for example business systems etc. However, the problem with these last-mentioned communication tools are, according to the interviewees, that they do not work very well due to its malfunctioning in more critical moments and, since people tend to go offline very often if they are busy, one cannot expect to get a response in time for what is acceptable for the end-customer, as stated by Sales Engineer Q at the Swedish subsidiary:

“Acign is used mostly by customer service, I find it difficult to use when a customer calls regarding an urgent problem, but still, many expect us to use it”

According to all of the HQ-interviewees, the choice of medium depends and varies upon the sales subsidiary one is communicating with. For example, one of the interviewed Regional Business Managers informs that, in general, Indian people prefer phone call, whereas the Russian and Latin American people prefer texting or emailing, and here HQ adopts to subsidiary preferences.

When examining employees' view and opinion regarding the daily communication tools, one can see that all interviewees would prefer more face-to-face interactions through WebEx or informal and spontaneous meetings, even though the distance and the lack of time are hindrances. Interestingly, a substantial part of the subsidiary employees brought up poor responses from HQ

as a major hurdle in their everyday work. That, according to Business Line Manager J at the UK subsidiary, it sometimes can take one to two weeks to get a reply on email. Hence, they have to phone the HQ a lot to get a response, which result in that the activity of chasing responses, takes approximately twenty per cent of the work time. On the other hand, HQ interviewees mention that the fact that the sales subsidiaries call and email too often is a problem for them, making it evident that everyday communication is somewhat an issue for both units.

Task Teams and Meetings

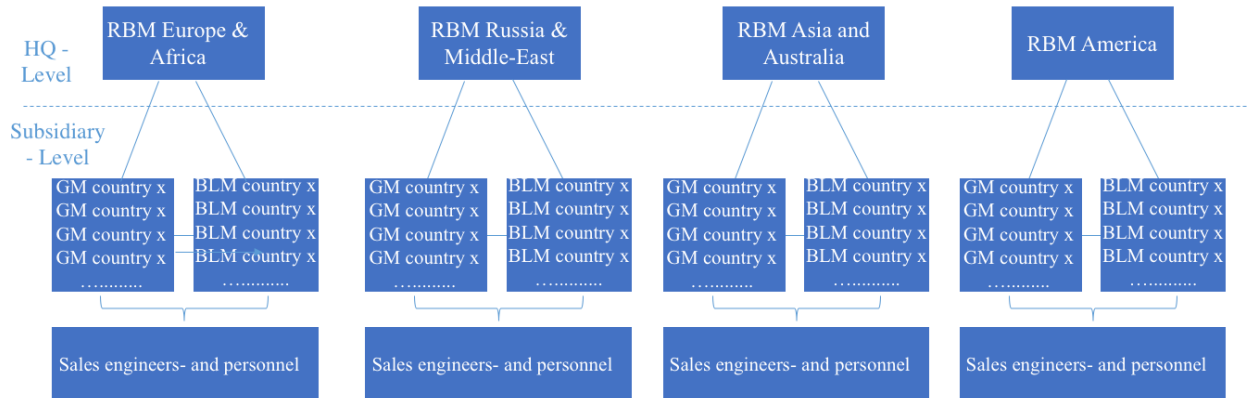
Regarding special task teams, the case enterprise has, as visualized in Figure 4, an organizational structure with Regional Business Managers for each region, whom have the function to directly link the work of local sales subsidiaries and the HQ. Thus, these are the ones that handles most of the everyday contact with the subsidiaries, especially for sales inquiries. On the sales subsidiaries' side, the persons with most contact with HQ are the General Manager (GM) and the Business Line Manager (BLM), where the former is responsible for the whole business set up, and the latter is in charge of the sales. As for regular meetings across units (including both HQ and subsidiary representatives), workshops and committees, the impression delivered by the all subsidiary interviewees is that these kinds of activities have been negatively affected by the fact that the company is situated in an economic turn-up. Due to time issues evoked by the industry boom, regular meetings have repeatedly been cancelled, and no replacements have been held, so this is something all interviewees want to improve. In accordance with Sales Engineer P at the Norwegian subsidiary:

“I think that this area could improve a lot and it was better a couple of years ago, but now it is much more focus on the economy and to harvest the fruit during this industry ramp-up. I would like to see more meetings and social activities”

Meeting activities that the organization usually engages in, is a yearly Business Review Meeting (BRM), where both HQ and sales subsidiaries are present, which takes place regionally. At this meeting, all follow-up on the sales subsidiary's work is done and all in all, it is a moment for HQ and sales subsidiaries to share knowledge regarding the market, problems, future plans and customers. What can be noted here is that an important feature of the setting of this meeting has

been to every year swap regions for in which HQ representatives are present, in order for the HQ to receive a nuanced view and broader insights.

Figure 4: Organizational chart, Epiroc



Source: Compiled by authors.

Moreover, according to the Vice President F of the case enterprise, a bimonthly follow up should be conducted with the top ten largest sales subsidiaries. However, evident when interviewing sales subsidiaries is that these are nowadays often postponed or consolidated due to lack of time in the industry boom. Apart from this, there is supposed to be a yearly Plan Meeting for the sales subsidiaries, where the HQ is intended to approve the goals and plans that the subsidiary has formulated. Last, the top ten to fifteen sales subsidiaries are, on irregular basis, invited to the HQ where focus is heavily put on the needs of the subsidiaries, and sometimes interview activities are taken place with them. As indicated by the subsidiary interviewees, meetings are mostly taken place within the divisions, and they believe that it would be fruitful to arrange meetings where discussions are taking place cross-divisionally, to link the businesses.

Social Activities

As for social activities involving HQ and sales subsidiaries, it is evident from all subsidiary interviewees that this was, just as exchange programs, better in the past, and has been hit negatively by the time-pressures deriving from this and the previous year’s market ramp-up. Socialization tools are almost exclusively used in connection to meetings and briefings, and in conjunction with

trainings. As indicated by HQ interviewees, any time that HQ and sales subsidiaries meet, they also have some sort of team-building activity such as dinner, camp activities, karaoke, bowling etc. The subsidiary interviewees express the value in having more social and informal interactions, both with HQ and other sales subsidiaries. This, since they find social activities much more valuable than formal trainings, both in regard to access to new knowledge and relationship building. Several of the interviewees see the current training sessions just as lectures at universities. As Business Line Manager K at the UK subsidiary argues:

“I get more value out from meetings outside the presentations and trainings, since these are just a one-way direction dialogue, and I believe free discussions and social interaction among sales subsidiaries would be better”

Second, some of the subsidiary interviewees prompt for more social activities between different sales subsidiaries since, for them, it is vital to have a relationship with the person that you would like to contact in the organization. And as Business Line Manager H at the UK subsidiary says:

“We in country X would never call sales subsidiary in country Y, since we do not know them”

4.3 The process of transferring knowledge from the HQ to the subsidiaries

In this section, the HQ-subsidary knowledge transfer process is described. First, the researchers present tools used by the case enterprise HQ to transfer knowledge. Second, HQ’s willingness to transfer knowledge is described

4.3.1 Tools used by HQ to transfer knowledge

Attainment of expert knowledge is done through expatriation and training

The HQ interviewees emphasized different areas regarding the attainment of expert knowledge. However, similar patterns could be identified, where both interviewee E, Regional Business Support, and Regional Business Manager B, mention the opportunity for all employees to attend whatever training sessions or courses they are interested in. The interviewees further describe that

the case enterprise offers both physical and online courses and the topics include, inter alia, leadership courses, how to run an effective team, technical aspects of certain products or cultural training regarding certain markets, e.g. China. Regional Business Manager B also mention that the case enterprise tries to organize global training sessions for all employees recently employed. However, it prevails that it's up to every individual to pursue the educational programs. In other words, the management team rarely assigns training courses to its team members to increase their knowledge in specific fields.

Regarding recruitment of personnel with specific expertise, the interviewees took different approaches, albeit similar. For instance, expatriation was mentioned by Application Specialist G and Regional Business Manager C, as one tool the case enterprise uses to attain expert knowledge of certain markets. They emphasize expatriation's importance for knowledge exchange and the sharing of experiences, discussing several benefits of expatriation, bringing in expats from subsidiaries with knowledge regarding certain markets, e.g. language skills or knowledge about local sales practices. Moreover, they also stress the importance of deploying expats with specific knowledge in markets which need additional support from the HQ. Slightly different, Vice President F, emphasize that language skills and knowledge regarding local practices are secondary preferences, where instead a proper background is more important when obtaining expert knowledge.

Infrequent assessment of, and adaptation to, subsidiary's knowledge base

In terms of assessing the recipients' knowledge, the HQ interviewees were diverse in their answers. For example, some claimed that it is not the responsibility of the HQ to make sure that the subsidiary is on the appropriate knowledge level, but rather the responsibility of the subsidiary's management team. Furthermore, if the lack of knowledge circulates a young employee, the subsidiary is responsible to provide him/her with sufficient training. As stated by Vice President F:

“We assume that they have the same level, since when we make a plan or program we don’t think about differences, it is up to them to be on the same level. If they are not on the same level, we talk to GM or directly to the person that lacks knowledge and push them to ramp up.”

The Global Product Manager D at the HQ at the Swedish subsidiary claims that HQ does not assess a subsidiary’s level of knowledge when conducting training sessions on a global level, only if the training session is aimed for one single subsidiary, which rarely occurs. Still, some interviewees, including the Application Specialist G, Regional Business Manager C and the Regional Business Support E, imply that the HQ do assess each subsidiary’s level of knowledge before organizing training sessions or other organizational platforms. However, they also expressed certain difficulties when doing so. Every training group must be filled to maximum, since training sessions are resource demanding. Thus, since participants are not necessarily on the same level, it is difficult to gather a group of participants where everyone is on the same level. Moreover, they mention that time constraint is a common obstacle as it determines how many training sessions can be held and how they can be adapted to the knowledge level of the participants. A common way to mitigate time constraints is to organize educational programs for the subsidiary’s management team which, in turn, will help them train their own employees. According to the Application Specialist G, although they try to take the subsidiary’s level of knowledge into consideration, participants usually attend the same course because they don’t want to miss out on important information. Subsequently, as a result, their motivation and eagerness to listen goes down when the same message is repeated, which is a waste of time. He continues by informing that the employees often get stuck at lower levels of a certain educational process and seldom make it to the more advance levels, and consequently, the more advance training sessions usually never take place. It does exist a basic technical training program for all newly employees, where the participants’ initial knowledge is not considered. The HQ interviewees’ view on the issue is also confirmed by the subsidiaries, where the Business Line Manager N in the Swedish subsidiary states the following:

“The problem is that HQ’s trainings are often directed towards all sales subsidiaries, and if one attends a training where for example the African subsidiary is present, it often gets too general. It would be better to have trainings that were more focused on the local market and adapted to those conditions”

Interestingly, Business Line Manager N's concretized the requirement for them to take in new knowledge. The interviewee states:

“It all can be visualized in Maslow's hierarchy of needs, where the challenge lies in the maturity of the subsidiary and since the level of maturity and knowledge base of the case enterprise's global sales subsidiaries differ a lot, HQ cannot expect they are all equally ready to adopt a new strategy. In order to take in new strategies, the first step on Maslow's hierarchy of needs have to be in place, where the sales subsidiary has access to sufficient information and there is a good segmentation of customers to deliver right service and warranties. If this works, the subsidiary can pursue to next step where one is more involved in strong relationships with customers and one works more actively and proactively to increase sales, and engage in simpler solutions, and so on”

Written manuals and translated instructions are moderately used by HQ

It's clear that written brochures, instructions and manuals are not the most common form of communication within the case enterprise. All HQ interviewees point out that the risk of spreading sensitive information to inappropriate stakeholders, e.g. competitors, is one the reasons to not communicate and transfer written instructions. Further, they mention that this is the first year they communicate a strategy plan in written form to the subsidiaries. Two versions are made, one longer and more detailed version, and one more general version with less sensitive information which is distributed to the subsidiaries. The strategy is to be shared with the management of the subsidiaries which, in turn, is responsible for communicating it down to the rest of the sales organization. Nevertheless, as mentioned foregoing, written instructions or manuals is not common practice. The case enterprise works more with presentations and visualizations to communicate new processes or technical information where PowerPoint is the most common form, with the purpose of making it easier for the subsidiary to absorb the information. However, the presentation material and the written documents that do exist are not translated into the local languages of the subsidiaries, although all HQ interviewees saw it as beneficial and mentioned that there are plans of translating some presentation material into additional languages, e.g. Russian and Spanish. The Regional Business Manager C mentions that, in some cases, the management team of the

subsidiary takes the initiative of translating the material into their local language. On the other hand, the sentiment delivered by all subsidiary interviewees was that the existence of encoded knowledge, through written manuals, translated presentations etc., is something less important and if the individual subsidiary wants to translate instructions and other material, they do so. Thus, they do not see the lack of encoded knowledge as a hindrance in their everyday work. As stated by the subsidiary interviewees:

“I believe that when it comes to sharing of strategies and innovative knowledge, one should sit down together, physically and discuss it face-to-face” – Business Line Manager M

“Written manuals are the worst thing I know, I find it very demotivating to receive a PowerPoint presentation on 50 pages to read through. I believe it is more important with the physical interaction, enabling a dialogue” – Business Line Manager N

High subsidiary autonomy leads to decreased support from HQ

The interviewees were divided in terms of what support application and follow-up measures are applied in the organization. It prevails that there is much to be done in terms of following up the content of training sessions and other educational occasions, since market share is the only follow-up objective applied, and interviewees express a desire to apply more follow-up parameters. As indicated by the Application Specialist G:

“HQ does a poor job in following-up on the work of the sales subsidiaries, it is only the RBMs that have frequent contact with them and know them better, other than that feedback is unstructured and only provided after training courses and when the fifteen largest sales subsidiaries are invited to the HQ once a year”

The Regional Business Manager B and the Vice President F emphasize the difficulty to follow-up on strategy work as the subsidiaries are left to operate with a lot of autonomy. In other words, the subsidiaries create their own strategy which fits their local requirements and, subsequently, communicate that strategy back to HQ, for them to understand it. Thereafter, HQ’s role is to push

and support the subsidiary to make it reach its targets and objectives. According to the interviewees, smaller monthly meetings and larger semi-annual meetings are held to follow-up on strategies, trends and financial results. Some interviewees argue that the follow-up work within the organization is more extensive than previously described. For instance, the Global Product Manager D argues that the case enterprise applies key performance indexes (KPI) and Value Compensation Letters (VCL), involving both hard and soft values, to follow up on a subsidiary's performance. However, it's up to the management team of the subsidiary to determine the values of the KPIs and VCLs which HQ provides feedback on.

In terms of supporting subsidiaries in applying new sales processes and strategies, no significant application measures are taken by the HQ, since the subsidiaries are left with plenty of autonomy and responsibility to apply the directions communicated to them from HQ. Moreover, HQ interviewees admit that HQ does a poor job in terms of supporting subsidiaries in the application phase in a structured way and propose that the employees with daily subsidiary-contact at the HQ could implement measures to improve the support process.

4.3.2 HQ's willingness to transfer knowledge depends on its sensitivity and varies upon the location of the subsidiary

Perhaps unsurprising, all HQ interviewees argue that the HQ seeks to be transparent and share as much knowledge possible with the subsidiaries. The type of information most commonly shared is updates and news regarding the products within the portfolio but also other areas, e.g. new financial solutions. As the interviewees point out, it is important that the subsidiaries always have something new to show to the customers, otherwise they won't listen. However, there are situations when HQ decides not to transfer information to the subsidiaries. For example, in accordance with the Application Specialist G, not all details regarding the production of certain products are communicated since there is a desire from HQ that subsidiaries should focus on the benefits of the product and not production details, e.g. manufacturing costs. Moreover, several interviewees mention that HQ does not communicate information regarding products that are yet to be released. This is not done for a number of reasons, inter alia, risk of creating a buzz on the market which depreciates by the time the product is released or risk of leakage to into the right hands. This is a serious issue in some sensitive markets, such as China. Furthermore, unofficial acquisitions,

partnerships, organizational changes and staff inquiries are neither not communicated with subsidiaries. Hence, all in all the HQ interviewees are unified on the front that there are situations where knowledge is not transferred due to its sensitivity.

The sales subsidiaries differed in their answers depending on where the interviewee was deployed. Interviewees from the Norwegian and Swedish subsidiaries did not experience HQ to hold back any information or knowledge purposely, without a solid reason:

“I do not experience that HQ holds back information, I believe that when they do not share certain information with us there is a good reason for not sharing. Sufficient reasons for HQ to hold back knowledge or information could be the risk of spreading sensitive knowledge to competitors or releasing an unfinished product too soon” – General Manager H (Norway)

Therefore, their motivation is told not to be affected, as long as sufficient reasons for not sharing knowledge is provided. Moreover, the interviewees from the Swedish and Norwegian subsidiaries mention that they are privileged, due to the close geographical distance to the HQ, which facilitates the knowledge transfer. Although some of them reveal that there are situations when they feel that HQ is holding back certain knowledge regarding technical aspects and updates of products, but they emphasized that they do understand why that knowledge is not shared with the subsidiary. Moreover, there is also a recognition of HQ’s challenges to transfer information due to time-issues in the industry boom. However, at the same time, they mean that it is crucial that the customers are not affected by the uncommunicated knowledge. In other words, if HQ holds knowledge that is beneficial for the customers, it must be transferred.

In contrast to the Norwegian and Swedish subsidiaries, the UK subsidiary experiences that HQ is purposely holding back information, which affects their motivation to apply new strategies and processes. As stated by the Business Line Manager J:

“Regarding new technologies that come out, I ask the product managers about it and when we can have it, since I know the product is available. They then provide me with different answers,

resulting in me questioning that answer, whether they are telling me something because it is true, or if they are telling me that because they don't want to put a new product on the UK market first”

Thus, there is a feeling of frustration and distrust that they do not receive the support they need from HQ. Moreover, the UK subsidiary experience a sentiment that HQ decides not to transfer knowledge due to financial costs, as some investments must be made to support the knowledge transfer. Still, the HQ is unaware of issues that have been on the subsidiary's agenda for a long period of time.

4.4 The process of knowledge absorption among sales subsidiaries

When investigating sales subsidiaries current position in how well they absorb new knowledge in the form of new directives or strategies from HQ, it is important to postulate the HQ's opinions separately from sales subsidiaries' own perception. In short, HQ interviewees believe the sales subsidiaries are open and welcoming towards new directives, while the sales subsidiaries' description differs in some ways from HQ's view and varies to a certain degree amongst the interviewed sales subsidiaries and persons.

4.4.1 Facilitators for sales subsidiaries to absorb HQ-driven knowledge

High level of subsidiary freedom, decision-making mandate and individual responsibility

As touched upon earlier in this chapter, the sales subsidiaries of the case enterprise are responsible over their own business, and the level of involvement from HQ in the daily operations is limited. The sales subsidiary's management team formulates the goals regarding budgeting, sales and turnover for each year, including also market analyses, which are to be approved by HQ. All in all, all subsidiary interviewees express they have freedom to set their own goals and adapt strategies, even though some believe that it may differ among sales subsidiaries, depending on how well they are doing and the trust between the HQ and the subsidiary. As indicated by the Norwegian Sales Engineer P:

“We are allowed to take a lot of own decisions and have a great amount of own responsibility, and the plans and strategies are created locally by our own GM, thus we do the most ourselves, but we can also impact on product innovation at HQ”

As for the subsidiary employees' own responsibility and power to develop their career path and way through the organization, the subsidiary interviewees from the Swedish and Norwegian unit are all unified that the whole nature, vision and values of the organization support the view of all employees driving their own career path. In contrast, the UK subsidiary experiences that there are hindrances in pursuing a career path if the employee is not ready to work internationally. The interviewees express most positive, but also few potential negative, sides to the open climate. On one hand, it is good that there is a sense of trust towards the employee, both of having non-obligatory training courses and that employees themselves are in charge of applying for a higher position. On the other hand, some interviewees bring up that it could be dangerous with optional training courses, since these are often overlooked due to time-issues.

The level of subsidiary's decision-making mandate in matters regarding overall strategies varies among the subsidiary interviewees, where approximately half believe they can influence on strategy-formation at HQ, while the other half experience little involvement in these issues. The variation here depends, naturally, on the level of position of the subsidiary employee, where most subsidiary managers believe they can affect HQ-decisions, and interviewees on lower level are more skeptical to their power of impact on what happens at HQ. Regarding sales subsidiaries' own drive to ask HQ for feedback on their performance, interviewees inform that this is generally nothing they do and that HQ is quite fast doing it themselves if they are not satisfied with the subsidiary's performance, and all other inquiries are saved for the annual Business Review Meeting. Moreover, in accordance with the Norwegian Sales Engineer O and the General Manager H, there is little value for them to receive feedback from HQ, as the subsidiaries themselves often have the biggest knowledge about the local market. Moreover, the subsidiaries are left with plenty of freedom to operate the business how they want, as long as they reach hard goals set and approved by HQ. Few of the interviewees express a potential value of increased amount of feedback from HQ.

HQ's provision of a mix between written and verbal instruction

Looking at the ability to encode knowledge from a subsidiary perspective, it is evident that encoded knowledge has its benefits, especially from a product technical point of view where the interviewees stress that it is helpful to go back and refresh the memory regarding technical aspects and advantages of certain products. As of today, HQ provides for a mix between verbal and written/documented instructions and manuals, which is welcomed among the sales subsidiaries, as the interviewees mention that there should be a balance of written checklists and verbal communication, with focus on the latter one when it comes to encoding tacit knowledge. Moreover, the non-English native subsidiaries express difficulties in translating, or encoding, technical specifications into their local languages. Translating technical aspects into the local language is a necessary practice, since the customers' level of English is not always the highest. All in all, the interviewees are unified that for simpler tasks and information, as well as for product information, written information is preferable, whereas for more tacit knowledge, such as sales strategies or how to approach customers, verbal discussion with HQ is preferred since (1) sales practices are a local concern and (2) receiving pages with written instructions is demotivating.

The existence of accessible expert knowledge at the HQ is vital for subsidiaries' everyday work

Expert support in daily activities and adoption of new product marketing strategies is very important for the sales subsidiaries. Currently, the organization works with application specialists deriving from HQ, which have specialized competences aimed to support sales subsidiaries for more complex issues. According to the interviewees, the need for expert help from HQ depends on the level of sophistication of each sales subsidiary and on the geographical location. Generally, products sold in South America and Asia are more standardized, whereas in Europe and the Nordic, machines are more high-tech and, subsequently, the subsidiaries selling these products need more specialist support. As of today, it works good according to the subsidiary interviewees, even though they question the sustainability and long-term effect of only having, at times, one specialist in each region, and they are very vulnerable if this expert is out of work one day.

4.4.2 Obstacles for sales subsidiaries to absorb HQ-driven knowledge

Lack of time as one of the largest impediments for sales subsidiaries to absorb knowledge

Both the HQ interviewees and the sales subsidiary interviewees themselves recognize that one of the biggest reasons for them not to take in new directives, such as implementation and usage of new business systems, is lack of time. As mentioned by the Regional Business Manager C, his counterpart and direct reporting colleagues at the local sales subsidiaries have a very high workload, especially during the past one and a half year, due to the industry boom and the fact that the cutbacks during the crisis have not been compensated for. All of the subsidiary interviewees do indeed bring up lack of time as the biggest hurdle to take in and implement new strategies and directives from HQ, as stated by the UK Business Line Manager J:

“Time is my biggest concern at the moment as I have so many tasks, and the response time from HQ is a massive improvement area. For some product calculations it could be hard to understand the information given by HQ as we are missing local expertise, thus we need to have frequent contact with, and support from, the product manager at HQ”

The time-issue is, according to the UK Business Line Manager K, the Swedish Sales Person R and the Norwegian Sales Engineer P, also a result of the business and reporting systems in the company which are complex and extensive, and due to the large product portfolio, where each sales person is expected to have enough knowledge to sell every included product. The interviewees touch upon the fact that, although they do get support from Product Managers at HQ, the heavy product portfolio information is impossible to take in due to lack of time and that there is a need for more frequent and practical product courses. Moreover, in accordance with the Vice President F and the Application Specialist G, the major hurdle for sales subsidiaries to not change or implement new directives from HQ is due to difficulties in stepping out of their “comfort zone”, arguably due to lack in resources and time according to them.

Subsidiary autonomy and lack of practical education result in infrequent and inadequate subsidiary training

It's evident that all subsidiaries in the case study demand more practical training to absorb new knowledge from the HQ. All interviewees believe that the current training sessions are too theoretical and not practical enough to help them build up their ability to apply knowledge transferred from the HQ. For example, although it is recognized that they have access to educational software online, several subsidiary interviewees emphasize the importance of conducting physical training sessions. Moreover, they stress that practical education occasions are crucial in order to be able to learn all product details, which is expected by the customer. As argued by the Swedish Sales Person R:

“Education is one of the most important aspects, and something that HQ could do better. We know very little about very many things and need physical training to improve. It is important to meet face-to-face, in order to create a dialogue regarding the use of a machine and an e-learning would never enable me to feel confident in selling a product”

Two other aspects of the current training programs were pointed out by the interviewees from the subsidiaries. First, they mention that the scope of the training sessions is too large, i.e. they have a global focus and are not customized for specific countries or regions. Second, as a result of the previously discussed condition, that, as an effect of high level of subsidiary autonomy, it is up to every individual to take responsibility for what courses he/she would like to attend. Hence, no one pushes the employees, neither at HQ level nor at subsidiary level, to attend certain training sessions which, in turn, negatively affects the employees' ability to receive new knowledge, according to the interviewees.

Last, which is contradictory to the perception of the subsidiaries, interviewees from the HQ believe that the current arrangement of training sessions is sufficient for subsidiaries to enhance their competence. As the HQ points out, the subsidiaries have a variety of courses to attend and online courses are also offered. Moreover, as the basic product education program at the HQ is offered globally for newly employed, along with training sessions for subsidiaries within a specific region, the HQ is convinced that they have invested heavily in the subsidiaries' training.

A global focus on transferred knowledge makes it less relevant

In terms of subsidiary's perception regarding the information transferred by HQ, all of the subsidiary interviewees agree that the information and directives transferred from the HQ are not always relevant as they often have a global focus, rather than a country-specific or regional focus. Interviewees from the Swedish and Norwegian subsidiaries perceive that some of the information and directives from HQ cannot be applied to the local market due to the market characteristics. As an example, they point out that HQ, sometimes, transfer directives and information regarding products that are not used on the local market and vice versa. Moreover, the sometimes over-complexity of new products, makes the subsidiaries in need for more resources in terms of specialized knowledge:

“The challenge is that HQ is very product-driven, they develop very smart and cool stuff, but translating and implementing these products to new markets is very tricky, and is the reason to why I have hired an application specialist from HQ that supports us, so we can make the customer understand the potential of a product” – Business Line Manager N (Sweden)

The UK subsidiary is on the same path as the Swedish and Norwegian, but more critical towards the relevance of the information transferred by the HQ. The interviewees say that only half of the knowledge and information HQ attempts to transfer is valuable for their local office and that HQ does not know this since the communication is inadequate. Moreover, although they receive relevant information from a technical point of view, interviewees mention that there is a lack of relevant knowledge from HQ's side in terms of helping them to meet local demands. In other words, it is argued that HQ can be more relevant and flexible regarding local commercial practices, e.g. payments, leasing and rentals. Regarding the reliability of the knowledge and information transferred by the HQ, all subsidiaries agree that the information is more or less reliable. However, some interviewees argue that the information would be seen as more reliable if it was more practical and hands-on, and not only written or typed.

4.5 Emphasized factors that would improve the HQ-driven knowledge transfer process

When interviewing the employees, both at HQ- and sales subsidiary level, the objective was to detect how HQ actively works to improve the conditions for knowledge transfer between them and the sales subsidiaries, what tools they use to motivate the sales subsidiaries, and lastly, what are the needs of the sales subsidiaries to better absorb new information deriving from HQ. Apart from subsidiary employees' motivational disposition in general and with regards to existing reward systems, investigated was also other aspects that have the potential to improve the knowledge transfer. These aspects include for example training, relevant and trustworthy expertise from HQ, support, exchange programs and more.

4.5.1 Practical and more frequent product training to improve employees' ability and motivation

It is clear from the HQ interviewees that they were more actively engaged in motivating sales subsidiaries and their sales personnel some years ago, when time was not as scarce. The interviewees bring up uncertainty regarding products as a general improvement area for sales subsidiary employees, where the issue lies at HQ to persuasively market the product to the sales subsidiaries, in order for them to feel proud over the product and be more confident to sell it to the customer. Tools that the HQ has used here are presentations, internal promotion videos and showrooms where the sales personnel can get a degree of practical training, instead of only having presentations, in order to better reflect HQ's proudness and belief in the products. Some interviewees at the HQ recognize that these types of activities should be used even more frequently, and in more units of the organization, whereas others are not as convinced and instead argue that HQ should not have to stretch too much for the subsidiaries, since it is their job to have knowledge regarding the product portfolio. The subsidiary interviewees do indeed believe that product related training and education is one of the most important areas for improvement. Especially, as touched upon earlier, due to the broad and extensive product portfolio, salespersons often feel unconfident in front of customers since the practical training has been insufficient, and they have not learnt simple features on how to operate the products. They describe this as a major hurdle for them to feel confident and proactive in the sales process. All subsidiary interviewees specifically argue for the need of more frequent trainings and more practical and face-to-face interactions, not only in order to be able to have a dialogue with the product managers at HQ, but also to be able to actually operate and touch the products, as stated by the UK Business Line Manager J:

“I believe we should have some kind of a driving license for the products as we need more hands-on familiarity with the machines to understand its function”

There is a limited number of training occasions held at HQ where many sales subsidiaries are present at the same time and are therefore argued to be too general in scope and too rare. One interviewee comes with the example of introducing a “train the trainer”-system, where one subsidiary representative is trained at HQ, and later this representative brings back the knowledge to the local sales subsidiary.

4.5.2 Sales subsidiaries’ are more motivated by non-financial incentives than by monetary, evoking the need for restructure of the current reward system

Motivational drive of the employees

Regarding the question of what motivates the subsidiary employees, it goes without saying that the answers vary. Nonetheless, common for almost all interviewees is that they are motivated by characteristics of the work environment, and not by monetary rewards. Interviewees are skeptical to, and unmotivated by, the existing bonuses system used by the HQ since it, according to the Swedish Business Line Manager N, is irrelevant and does not drive sales on the local market, since the subsidiary is already in a stage where it fulfils the goal of the bonus system. In the end, they believe it is unnecessary that occasionally, some random salespersons receive a little more money than others, since it does not push sales further. Instead of monetary reward systems, interviewees see more frequent and practical trainings, more involvement and interest from HQ in sales subsidiaries daily business, more social activities and knowledge exchange, as well as more support from HQ in terms of responses, as motivational drivers. As forwarded by the UK Business Line Manager K:

“How can we be motivated to change and implement strategies from HQ if these are developed without talking with customers or with us, whom have the closest interaction with the market and customers?”

Further, the subsidiary interviewees believe that good individual performance should be given more attention in the organization, as it's done poorly today. There is a monthly internal newsletter for the whole organization which, according to the interviewees, focuses much more on the HQ than the sales subsidiaries. Also, some interviewees suggest there would be value in having not only internal promotion and newsletters, but also external ones on a regional level. For example, the Swedish, Norwegian and Finnish subsidiaries could collaborate on a Scandinavian customer magazine. Other interviewees believe it would be motivating with more people stories included in newsletter, such as an ambassador program with interviews regarding career paths within the organization. The UK interviewees disclose that they sometimes feel somewhat expropriated by HQ, like they are just fields for HQ to harvest the fruit. This since, the local sales subsidiaries are expected to train and educate new sales personnel, while after a few years, HQ offers higher salaries for these newly trained persons, resulting in valuable competencies leaving the sales subsidiary for the HQ, but the cost of training still accrues to the subsidiary. Here, the interviewees mean that they need some kind of recognition and reward from HQ, both monetary and attention-wise.

Restructure and questioning of the current reward system to fit employee needs

It is not very common that the HQ of the case enterprise uses monetary incentives to motivate the employees. However, when they do apply it, it regards temporary bonuses, competitions or campaigns, aimed to increase sales of new products. The reward could be a trip or money, but still there is a recognition among HQ interviewees that there is a risk that these competitions and provisions do not fulfil their purpose. Although HQ don't use bonuses or reward system extensively, each sales subsidiary and its manager are free to use provision and bonuses systems as they want, and every local subsidiary manager is itself responsible over the used salary method and office ambiance. Since the utilized reward system differs among the interviewed sales subsidiaries, it also alternates the interviewee answers and make them difficult to unify. However, after examining whether any geographical similarities can be found, this is shown to not be the case. Some of the subsidiary interviewees are positively directed towards monetary bonuses and reward systems, whereas the majority do neither find monetary reward systems motivating nor trust the current one. In turn, the majority of those who find monetary reward systems motivating in general, are unhappy with the existing structure of the system, where the Swedish Sales Person

R mentions the problem of employees leaving to competitors since they have better provision rates and salaries than the case company. Moreover, the Norwegian General Manager H, finds it unsatisfying that HQ introduces an additional bonus apart from the local reward system structure, since this disrupts the local salary structure in each sales subsidiary. Others comment upon the fact that there is a lack of individual performance-based bonuses for the sales employees to be negative, and that their current system is too general as it accrues to all employees equally.

As for those interviewees who do not believe monetary reward systems are motivating, the reasons for this is either that they prefer more personal support, personal recognition, time and knowledge sharing from the HQ. Stated by the UK Business Line Manager J:

“The money is not motivating for me, I have had a discussion with the GM, that we should reward loyalty more than we do, in a non-financial manner. For example, if we have people working here for a long time, how can we reward them?”

For these interviewees, the current reward system introduced by HQ is almost demotivating, partly since the products that are in focus in the campaigns are already sold extensively in the subsidiary, and since the general nature of the reward system results in that one team of the sales subsidiary can be penalized if another team performs poorly.

4.5.3 More resources and faster responses from HQ to attenuate the time-issue

Even though there exists an awareness of time pressures being difficult to overcome, subsidiary interviewees are clear that they need faster responses and more resources from HQ to feel more motivated to do a good job. As mentioned earlier, these interviewees experience that, in their daily work, they put too much time on trying to get in contact with HQ, while they instead could do more innovation- and strategy work. Further, additional resources are needed according to the interviewees, primarily to improve the time-issue. In accordance with the UK Business Line Manager K, they are already struggling to manage the basics of the business, and thus, when HQ neither realizes nor do something about their need for more competence and more employees, it is hard to feel motivated to absorb and implement new directives and processes. Further this interviewee describes the issue in the following way:

“we need to get resources in order to implement new directives from PC, and that is not happening at the moment. We need money for new people and competence, so we do not have to stop doing what we are doing. If one is struggling with time and resources to do what you are meant to do, how can you do anything new?”

An example of a potential solution to the response-issue, presented by subsidiary interviewees, is the introduction of a customer service-like department for the case enterprise’s global sales subsidiaries, available over the phone that answers simpler product-related questions.

4.5.4 Introduction of exchange programs between HQ and sales subsidiaries to build relations

All subsidiary interviewees are enthusiastic about, and see value in, having more worker exchange programs between HQ and peer subsidiaries as a way of facilitating for sales subsidiaries to implement new processes and approaches from HQ. The Swedish Sales Person R and the Norwegian Business Line Manager M mention that it would be valuable, both if subsidiary employees gained experience from the HQ, but especially valuable if HQ-representatives are placed in sales subsidiaries to experience real customer-contact, since there exists a skepticism towards HQ as few of them have “worked on the field”. Moreover, interviewees recognize that there were more structured exchange programs a couple of years ago, with distribution centers in order to understand each other’s’ challenges and tasks better, and all of them would like to see more of this type of activity. Some interviewees also believe that it would be even more rewarding to go to peer sales subsidiaries that perform better than themselves in some areas, and worse in others, so that one can learn from each other. Interestingly, there is a difference in why the interviewed sales subsidiaries demand exchange programs, where the UK subsidiary believes that it would simply provide them with additional resources, in order to be able to be done with tasks in time, whereas the Swedish subsidiary is positive to an exchange just for the fun. When further investigating the subsidiary interviewees’ attitude towards potential workshops that are to treat common problems and future challenges together with peer sales subsidiaries only, it shows that the majority of the interviewees believe this would be valuable. Not only since it could strengthen relationships and create trust among peer subsidiaries, but also leads to increased collaboration between

subsidiaries to support each other, and subsequently it has potential to reduce inquiries directed to HQ.

4.6 Summary of the empirical findings

The empirical findings cover several aspects of the HQ-subsidary knowledge transfer process. First, the role of the HQ within the enterprise and the varying nature of the HQ-subsidary relationship were presented. Although the HQ is perceived to be both a supporter and a source of innovation, it's evident that the subsidiaries consider it mostly as a supporter, especially during the current industry boom. Moreover, the communication and the relationship building between HQ and subsidiaries are areas of improvement, since the current communication tools are not ideal when a fast response is needed, and interviewees require more face-to-face interactions with HQ representatives.

Subsequently, the process of transferring knowledge from HQ to subsidiary was identified. It's evident that HQ attains expert knowledge in two ways in order to support the knowledge transfer process. The first way is expatriation where people with knowledge regarding, inter alia, certain markets or languages are deployed at the HQ to facilitate the support process. Second, the case enterprise offers numerous courses and training occasions, physical and online, to give the employees the opportunity to broaden their knowledge base. Moreover, although not the most common form of communication, the case enterprise uses encoded knowledge to some extent to transfer new process and information. Furthermore, it's identified that the HQ rarely assesses the subsidiaries' knowledge base due to, inter alia, resource demanding, and that the HQ application support is absent due to the high level of autonomy in the organization. Looking at HQ's willingness to transfer knowledge, it's recognized from HQ and subsidiary interviewees from Sweden and Norway that the degree of sensitivity is a solid reason for holding back information. On the other hand, the UK representatives were more suspicious, expressing a sense that HQ is purposely holding back information without a solid reason.

Thereafter, the process of knowledge absorption among sales subsidiaries was identified by the empirical findings. In other words, facilitators and obstacles to absorb knowledge were presented by the interviewees. Generally speaking, subsidiary representatives believe that subsidiary

freedom and individual responsibility are facilitators of absorbing knowledge. However, they also acknowledge that there is a risk of having optional training courses, which in itself is a cause of high autonomy, since they are often overlooked when there are time constraints. Moreover, a limited amount of encoded knowledge and accessible expert knowledge at HQ are two other facilitators that were emphasized. Looking at the obstacles for the sales subsidiaries to absorb knowledge, subsidiary interviewees identified lack of time, inadequate training and global focus of transferred knowledge as the most prominent obstacles.

Last, the empirical findings of this study reveal factors that would improve the HQ-subsubsidiary driven knowledge transfer process. First, it's evident that practical training sessions is something the subsidiaries holds valuable and would like to have more often. Especially the UK subsidiary, as they don't have the same geographical proximity as the Norwegian or Swedish subsidiary. Second, it's evident that sales subsidiaries' are more motivated by non-financial incentives, e.g. work environment, than by monetary incentives. Third, subsidiaries need more resources and faster response rates from HQ, i.e. a sense of trust to get the help they need, in the right time, in order to stay motivated. For example, the UK subsidiary feels unmotivated when the HQ doesn't acknowledge their need for more resources or human capital. Last, additional exchange programs are considered beneficial. Subsidiaries sympathize strongly for an exchange program where HQ representatives spend time at the subsidiary site to understand their side of the business. The empirical findings are summarized in Table 2.

Table 2. Summary of empirical findings. Source: Compiled by authors.

	Role of HQ & relationship		Knowledge transfer HQ to subsidiary		Process of knowledge absorption		Facilitators of knowledge transfer
	Role of HQ	Relationship	Tools to transfer knowledge	HQ's willingness to transfer	Facilitators	Obstacles	Emphasized factors of improvement
Description	HQ is more supporter than innovator	Communication and relationship building between HQ and subsidiaries are areas of improvement	-Expert knowledge -Infrequent assessment of knowledge base -Limited encoded knowledge -Low support of knowledge application due to subsidiary autonomy	Sensitivity, trust and location determines HQ's willingness to transfer knowledge	-Subsidiary freedom -Decision-making mandate -Individual responsibility -Mix of verbal/written instructions - Access to expert knowledge	-Lack of time -Inadequate training -Irrelevant knowledge (global focus) - Lack of trust	-Practical and more frequent training sessions -Non-financial incentives are most motivating -More resources and faster response rate to evoke time issues -Introduction of exchange programs
Expressed by	HQ Swedish subsidiary Norwegian Subsidiary UK Subsidiary	HQ Swedish subsidiary Norwegian Subsidiary UK	HQ	HQ Swedish subsidiary Norwegian Subsidiary UK Subsidiary	Swedish subsidiary Norwegian Subsidiary UK Subsidiary	HQ Swedish subsidiary Norwegian Subsidiary UK Subsidiary	Swedish subsidiary Norwegian Subsidiary UK Subsidiary

4.7 Visualization of factors with direct effect on the HQ-driven knowledge transfer process

As presented in Figure 5, the higher the level of the subsidiary autonomy, the more negative impact on the HQ-driven knowledge transfer process. Revealed in this Empirical chapter, the Swedish subsidiary is seen as being more autonomous and detached from the HQ's directives and operations, where the approach given by interviewees is that the unit works independently from the HQ. Also the two other investigated subsidiaries, the Norwegian and UK, operates with autonomy, a level that is deemed to be medium high. Still, all subsidiaries relatively high autonomy negatively impacts knowledge transfer facilitating activities such as HQ's assessment of the subsidiary knowledge, HQ's provision of application support and subsidiary employees' urge to educate themselves. Moreover, visualized in Figure 5 is that the higher level of subsidiary freedom, i.e. their ability to steer the operations themselves, forming their own goals, and employees' opportunities to climb the career ladder and engage in decision making, the more knowledge transfer will take place. Here, empirics show that the level of subsidiary freedom is especially high in the Nordic, i.e. the Swedish and the Norwegian subsidiaries, whereas it is slightly lower in the UK subsidiary, due to the interviewees' expressed dissatisfaction over that career opportunities require employees to go abroad.

Finally, the researchers find that, although not easily spotted, the aspect of trust matters, especially for the subsidiaries to be motivated to absorb HQ-driven knowledge, but also for the HQ to be willing to share knowledge with subsidiaries. Unsurprisingly, as evident in Figure 5, the level of trust has a positive correlation with knowledge transfer. Thus, the higher level of trust among the subsidiaries and HQ, the more likely are subsidiaries to take in new directives from HQ, and the more likely is HQ to transfer knowledge down to subsidiaries. After having conducted seventeen interviews within the case enterprise's HQ, and three of its European sales subsidiaries, it is clear that, based on the interviewees provided information, there exist at some point issues within all investigated subsidiaries, to trust the HQ. However, these issues are most prominent in the UK subsidiary, where questioning of HQ's agenda and underlying motive is commonly done when HQ is providing or not providing certain information or knowledge.

Figure 5: Visualizing factors with direct effect on knowledge transfer

Subsidiary	Level of Autonomy	Effect on knowledge transfer	Subsidiary freedom (internal)	Effect on knowledge transfer	Accumulated experienced trust towards the HQ	Effect on knowledge transfer
Swedish	↑ (High)	↓ (Decrease)	↑ (High)	↑ (Increase)	↗ (Medium high)	↗ (Medium increase)
Norwegian	↗ (Medium high)	↘ (Medium decrease)	↑ (High)	↑ (Increase)	↗ (Medium high)	↗ (Medium increase)
UK	↗ (Medium high)	↘ (Medium decrease)	↗ (Medium high)	↗ (Medium increase)	↘ (Medium low)	↘ (Medium decrease)

Source: Compiled by authors.

5. Analysis

This chapter constitutes the analytical section of this thesis. Here, the empirical findings in chapter four will be analyzed with support from the theoretical framework in chapter two. Presented below will be the discovered consistencies, as well as inconsistencies, between empirical data and theory. Moreover, new insights that adds to the research on the knowledge transfer process, will be disclosed and discussed further.

5.1 The richness of transmission channels positively affects both the knowledge inflows to and outflows from the subsidiaries

When investigating the existence and richness of transmission channels, which in accordance with theory by Gupta and Govindarajan (2000) positively affects the knowledge inflows to a subsidiary, we find that the empirical results of this study confirms that the lack of well-functioning communication channels, both formal and informal, decreases the subsidiary employees' ability and motivation to take in knowledge. Even though all three investigated subsidiaries have the same type and amount of transmission channels that makes it hard to see a direct difference and impact of different levels of communication, it is evident, based on information communicated by all subsidiary interviewees, that the flaws in the case enterprise current transmission channel setting negatively affect their ability and willingness to take in new information. As evident by the findings, there exist flaws both when it comes to formal transmission channels, which are certain task teams, meetings and committees, as well as informal transmission channels such as socialization mechanisms and relationship building activities. Although interviewees understand that the biggest reason for the lack of meetings, task groups and socialization activities, is the industry turn-up, several interviewees find these activities more valuable than formal and theoretical trainings, both with regards to absorbing new knowledge and to build relationships, which is the reason they ask for more of the former.

Something that has however not been clearly demonstrated by theory, although Minbaeva (2007) touches upon it, is that the existence and richness of transmission channels, in terms of social relationships and other informal activities, also affects the subsidiaries' willingness to transfer knowledge to other organizational units, and not only having an impact on the receiving unit's

capacity to absorb knowledge. The empirical findings show that subsidiary employees demand more social- and relationship-building activities since, in order for them to feel urged to share and contact other organizational units, they want to have a relationship with them before doing so. Thus, this study demonstrates that the richness of transmission channels within the enterprise does not only positively affect knowledge inflows to an organizational unit, but also the knowledge outflows from it.

Moreover, previous literature, by researchers such as Schulze et al. (2014) and Carlile and Reberich (2003), emphasize the importance of HQ encoding knowledge for improving the dissemination of knowledge to subsidiaries, by limiting misunderstanding and malfunctions of the transfer. In accordance with this theory, the empirics show that the HQ of the case enterprise do adopt certain tools how to communicate knowledge to the subsidiary, having the purpose of making it as understandable as possible. However, all subsidiary interviewees mention that their urge or willingness to absorb knowledge from the HQ is marginally affected by the existence of special instructions, written manuals or translated presentations. Instead, they emphasize practical and physical interaction, both when it comes to training and team-building. Thus, the findings of this study evoke a questioning of knowledge encoding's actual relevance and impact on the knowledge transfer.

5.2 High level of subsidiary autonomy does have a negative impact on the HQ-driven knowledge transfer process

In accordance with Szulanski (2000) and Hashweh (2005), the case enterprise uses the attainment of expert knowledge to support subsidiaries in their daily operations. For example, HQ possesses expert knowledge in commercial aspects, e.g. pricing, deliveries and contract specifications, and technical aspects regarding the products. In terms of these aspects, HQ's knowledge is considered reliable by the subsidiaries. Moreover, aligned with Joshi et al's. (2007) theory that the disseminative capacity can be improved if the enterprise can recruit individuals with experience to foster relevant knowledge, the case enterprise uses expatriation to recruit people with certain knowledge in certain fields, e.g. business practices in specific markets. Moreover, at the same time, the HQ deploy expats abroad to facilitate knowledge to those regions in need of support.

However, although it is often considered an asset for the case enterprise, it is evident that the high level of autonomy which characterizes the whole organization, HQ as well as subsidiaries, has an impact on the HQ knowledge driven transfer process that is consistent with theory by Gupta and Govindarajan (2000). Considering the attainment of expert knowledge, HQ offers all employees a variety of courses and educational tools to build their knowledge base. However, since it is up to every individual to attend whatever courses he/she likes, and management seldom pushes their employees to attend courses, the offered training sessions are not prioritized. Thus, employees within the organization don't expand their knowledge base which makes the attainment of expert knowledge more complicated for management, since HQ employees do not develop skills to support subsidiaries to a great extent, and subsidiary employees don't expand their ability to absorb knowledge from HQ.

Furthermore, since the subsidiaries are left with a high level of autonomy to run their local businesses, they are also expected to fulfil certain standards from the perspective of HQ. Consequently, although HQ acknowledges the ideas of Martin and Salomon (2003), i.e. assessing the recipient's knowledge enlightens what information needs to be transferred, the assessment of the subsidiaries knowledge base is rarely done, especially on a global or regional level. However, it should be mentioned that the lack of the assessment of recipient's knowledge is also a function of other aspects, such as time and resource demanding, and some assessment is done on a country level. Nonetheless, since subsidiaries are left with a high level of autonomy, HQ doesn't always find it necessary to assess subsidiaries' knowledge base as it's up to the subsidiaries to be on a certain knowledge level.

Both interviewees at the subsidiary and HQ emphasized the benefits of operating with a high level of autonomy, where being able to adapt the case enterprise's strategy to fit local needs as the most prominent advantage. However, due to subsidiaries' high level of autonomy, HQ doesn't implement any support of knowledge application, making it hard to carry HQ-driven strategies and processes into effect. In other words, HQ transfer knowledge and information but does not assist the subsidiaries to apply it. This is troublesome since, as emphasized by Cummings and Teng (2003), HQ driven knowledge can only be transferred successfully if the subsidiary can work

independently with the new knowledge. Therefore, since there is no support of knowledge application, the HQ knowledge transfer process is not as efficient as it could be.

It's evident that the case enterprise is characterized by a high level of autonomy and, needless to say, there are advantages of incorporating such company culture, e.g. being adaptable to local contexts. However, when the subsidiaries are assigned a high level of autonomy, and the HQ still wants the subsidiary to independently drive its knowledge acquisition, it may be difficult for the HQ to make sure that the subsidiaries understand when they are in a need of more knowledge inflows. In other words, how can the subsidiaries determine in what situations they need knowledge support from HQ and under what circumstances they are free to operate on their own, when they are left with plenty of autonomy? This issue can be seen as related to the *problematic search*-theory by Monteiro et al. (2008), who argue that knowledge transfer is driven by recipients', or subsidiaries', search for support from other organizational units, to help solving an issue in their business, meaning that the recipients' perceptions about other units' capabilities to solve their issue, steer the knowledge transfer. Here, units tend to choose to absorb and share knowledge with those units which they have communication and a relationship with, hence, according to Monteiro et al. (2008), isolated or highly autonomous subsidiaries subsequently are less likely to engage in knowledge transfer with the rest of the organization.

Thus, leading us to the finding that semi- autonomy is needed in the organization in order to facilitate the HQ-driven knowledge transfer process. In a totally autonomous and isolated organization, the lack of relationships and communication between organizational units decreases the unit's ability to receive perceptions about peer units' or HQ's capabilities, which could provide them with valuable knowledge, thus decreases the unit's motivation to share its problems with other units, as well as its motivation and ability to absorb new knowledge. Moreover, in complete autonomous subsidiaries, there exist few incentives for the employees to, for example, attend courses and, thus, broaden their knowledge base. Thus, semi-autonomy, described as a state where a mix between centralized and decentralized corporate governance increases employees decision-making mandate (Carnall, 1982), can provide the conditions for closer relationships and communication between organizational units, and bring pushing-factors for the subsidiary

employees to broaden their knowledge base, which in the end will increase the HQ-driven knowledge transfer between a focal semi-autonomous subsidiary and the HQ or peer subsidiaries.

To conclude, there are many advantages with a high level of autonomy in the MNC. However, it does affect the attainment of expert knowledge, assessment of recipient knowledge and the support of knowledge application. Moreover, a high level of autonomy create confusion among subsidiaries in terms of when they are in need of knowledge inflows from HQ. Thus, the high level of autonomy does have a negative impact on the HQ-driven knowledge transfer process, which is also emphasized in the current literature.

5.3 HRM tools increasing employee freedom and decision-making is viewed as more important than monetary incentives

Consistent with theory given by Minbaeva (2008), that the level of internal freedom of the subsidiary and individuals within it, as well as opportunities to engage in decision-making- and self-actualization activities, positively impact on employees' intrinsic motivation (i.e. employees' commitment to work itself) to absorb information from the parent, is demonstrated by the empirics. The subsidiaries do enjoy their high degree of internal freedom and decisions-making mandate, as well as the fact that they are responsible over their own development in the organization, which is consistent with theory, making them more open in terms of listening to other units, as opposed to if they were excluded from the decision-making and if the organization was characterized by hardship in making a career. Only half of the subsidiary interviewees are positive to the usefulness of existing monetary reward- and bonuses system which, according to Deci (1975), should increase employees' extrinsic motivation, i.e. employees' indirect satisfaction of desires through performance-based financial rewards. The collected empirical data suggests that employees value tools affecting their intrinsic motivation higher, including more frequent and practical trainings, more social interaction both between HQ and subsidiary and between peer subsidiaries, more exchange programs as well as more personal and subsidiary-specific recognition from HQ. Reinforced by theory of Bartlett and Ghoshal (1988), an increase in these socialization mechanisms should increase the thickness of transmission channels between the organizational units, and thus also increase the knowledge transfer.

Identified by the investigated subsidiaries, one of the major issues in existing reward system is its general nature, i.e. that it is not linked to the focal unit's own performance. Hence, there are many free riders, which is consistent to previous research by Gupta and Govindarajan (2000), implying that this decreases employees' intended motivation-increase from the monetary reward system. Moreover, as consistent with an issue brought up in theory by Minbaeva (2008) and Frey (1997), the subsidiaries in the case study disclose their dissatisfaction over HQ's, according to them, unnecessary implementation of monetary rewards when the subsidiary already fulfils the objective behind it, and that this mismatch in the end has a negative impact on the subsidiary employees' aggregated motivation.

5.4 The HQ-driven knowledge transfer process is affected by the state of the MNC's industry

In accordance with Daft and Lengel's (1986) theory, the case enterprise uses formal communication structures to build a strong links between HQ, subsidiary and the rest of the MNC network. This is mainly done through Business Review Meetings which take place 1-2 times per year. During these meetings, the RBM invite representatives from each of his/her respective markets where the representatives have a chance to present current trends, results and strategies in their markets. Moreover, a follow-up on KPIs is done by the RBM for each respective market to track their performance. Hence, aligned with the ideas of Carlile and Reberich (2003), one can argue that the case enterprise provides for opportunities for immediate feedback to strengthen the relationship between and HQ and subsidiary which, in turn, is intended to improve the HQ-driven knowledge transfer process.

However, it is evident that workshops, exchange programs, task meetings and review sessions, such as the Business Review Meetings, do not occur as frequently anymore. Interviewees point out that regular meetings have repeatedly been cancelled without a replacement meeting being held. Perhaps surprisingly, interviewees often point out that the industry boom is the cause of the missing meetings. Due to, inter alia, customer requests, potential leads, support inquiries and technical specifications regarding the products, the industry boom has given both subsidiary and HQ representatives too much on their hands and too much of a difficulty to coordinate regular meetings. In other words, HQ and subsidiary employees simply haven't had the time to organize

and arrange the meetings, and to coordinate the availability of the subsidiaries, since the industry boom provides too many urgent and prioritized responsibilities for both parties.

Since lack of time, caused by the industry boom, is emphasized by the subsidiary interviewees as the biggest hurdle to absorb and implement new strategies and directives from HQ, it goes without saying that the state of the MNC's industry is an important determinant of the HQ-driven knowledge transfer process. However, the state of the MNC's industry is rarely emphasized, if mentioned at all, in the existing literature. From a first point of view, one could imagine that an industry boom would facilitate the knowledge transfer process within the MNC. Yet, since an industry boom causes time constraint, mentioned by both HQ- and subsidiary-interviewees, it creates some challenges for efficient knowledge transfer. Arguably, although not investigated in this study, a recession or ordinary state of the MNC's industry may be preferable for efficient knowledge transfer as it releases more time for task meetings and workshops.

Building on these findings, it also prevails by this study that an inadequate distribution and orchestration of resources in the MNC serves as an impediment for knowledge transfer, which neither has been elaborated on by previous research. Interestingly, even though the case enterprise is situated in an industry boom, lack of resources is several times mentioned as an obstacle for subsidiaries to absorb information from HQ. An example is the extensive knowledge sets regarding the broad product portfolio, deriving from the HQ. According to interviewees, the content of the information is too overwhelming in relation to the number of employees, and they express a need for more human resources to attenuate the time-issue and lower the work burden. Despite being a well-performing enterprise in an industry ramp-up and HQ being aware of the problem of scarce resources in the subsidiaries, there is still, according to subsidiaries, an unfit distribution of resources and sometimes unrealistic expectation of how much information can go into one employee. In the end, these pressures lower the subsidiary employees' ability to absorb knowledge driving from HQ, thus it is fruitful to take into account the MNC's work with distribution and orchestration of its resources when investigating a HQ-driven knowledge transfer process. These issues can in turn be seen as comparable to the commonly used theoretical concept, organizational slack. Researchers such as Indjejkian and Matejka (2006) acknowledge slack, defined as inefficient use of resources or underperformance of advantaged individuals, as a common control

problem in decentralized organizations, thus also applicable on this case study's findings. Theory holds that organizational slack is positively associated with business growth and increases the information asymmetry between HQ and subsidiaries, which is thus evident by the empirical findings of this study.

5.5 Variation in subsidiary maturity affects the determinants of the HQ-driven knowledge transfer process

In line with existing theory by Ghoshal and Nohria (1989) and Furu (2001), subsidiaries in the case enterprise often take on different roles and are positioned at different levels of maturity, due to different local geographical environments, where the most mature and evolved units engage more in knowledge sharing activities with the HQ and other units. As a demonstration of this situation, in accordance with empirical data, only the top fifteen sales subsidiaries are chosen for specific annual meetings at the HQ. Moreover, since the investigated subsidiaries, which are mature and located in geographical environments with high economic level, have expressed that it is easier for them to apply innovative and complex directives deriving from HQ, than for example a less mature unit in India, since HQ-driven knowledge and strategies are often directed towards markets with a more sophisticated customer base.

Something that has neither been underscored enough, nor specified, by theory on knowledge transfer is in *what ways* the variation in maturity and economic level of subsidiaries dictates the determinants of the knowledge transfer process. It only mentions that it does dictate it. First, as evident by the empirical findings, the variation of subsidiary maturity and different economic levels of the subsidiaries' location, evokes challenges for HQ to assess subsidiary knowledge and implement suitable knowledge transfer tools such as training in the knowledge dissemination process. This since, the variation of subsidiary maturity, as well as the different economic level, make the activity to assess individual units' knowledge complex and time-consuming. This, in combination with HQ's challenge to decide on a consistent mix between global and local training activities, result in a general mismatch between the knowledge transferred by HQ and what is relevant for the individual subsidiary, based on its maturity and the economic level. In accordance with Chiang (2011), the more relevant the knowledge transferred is perceived, the easier is it for subsidiary employees to absorb it. Thus, having subsidiaries that do not see the information

delivered by HQ as applicable or transferrable to their own market, often result in subsidiaries either adapt the information differently to their own market conditions, or completely disregard the information. All in all, the imbalance of what HQ and the individual subsidiary see as relevant may lead to a negative loss of HQ's implementation power and their control over new strategies.

Second, findings show that the level of sophistication, i.e. economic level, of the subsidiary affect its need for expert knowledge from HQ. Here, previous literature by Gupta and Govindarajan (2000) touches upon the matter, but do not elaborate further on it, implying that the lower economic level of the subsidiary, the greater will the knowledge inflows from the HQ be. The empirical result of this study however proves the rather opposite. According to the interviewees, since products sold are more standardized in less mature markets, and more complex and high-tech in sophisticated subsidiaries, the need for expert knowledge from HQ is said to be greater for the subsidiaries located in sophisticated markets, i.e. in markets with high economic level.

Moreover, when adding the institutional context, in which the subsidiary is located in, and mix this with the level, and sophistication, of the local economy, it prevails from empirical results that these factors also impact on HQ's willingness to transfer knowledge to subsidiaries. In line with previous research by Michailova and Husted (2003), reasons for the case enterprise's HQ not to share information have also been due to the sensitivity of the information itself and the nature of the subsidiary. What has however not yet been treated by previous theory is the institutional dimension, that the reason not to disseminate knowledge is the related to inadequacy of the norms and regulations of the country in which the subsidiary is located in, not the nature of the subsidiary per se. Moreover, evident by empirical data, information is sometimes not transferred to a specific market due to the general characteristic of being a country where the nature of laws and institutions increase the risk of information leakage. Thus, this dimension should also be considered when studying HQ's willingness to transfer knowledge.

Finally, connected to the background of this investigation, the importance of studying knowledge transfer, especially as MNCs of today are compelled to transform into a dynamic entity, we see that this study demonstrates how knowledge transfer unfolds during the early stages of a firm's transformation process. Linked to variations in subsidiary maturity, which also imply different

knowledge sets, but also related to issues of slack resources, this study shows that it requires a lot of time and support from HQ to introduce and implement a dynamic transformation into the MNC's different subsidiaries. Due to the previously discussed implications of the case company having organizational slack and inadequate distribution of resources, and that this has negative impact on the knowledge transfer, this in turn negatively affects the transformation into a dynamic MNC. Taking it a step further, and by providing an overall insight on the result of the presented case study, it thus demonstrates that MNC's management of organizational slack and orchestration of resources are critical factors in a dynamic transformation.

5.6 Trust should be considered as a determinant in the knowledge transfer process

After analyzing the empirical findings, it is evident that trust between subsidiaries and HQ must be in place to facilitate the HQ-driven knowledge transfer process. This is especially true when subsidiaries are asked to implement an HQ-driven strategy which was created by someone who has never worked at a subsidiary. As subsidiaries are reluctant to absorb knowledge from someone who has not worked at a sales subsidiary, their view is similar to the NIH-syndrome expressed by Szulanski (1996) and Gupta and Govindarajan (2000), which explains a reluctance to absorb knowledge. Arguably, this would have been in alignment with existing theory, unless the phenomenon of trust could be found in other aspects of the knowledge transfer process.

However, since subsidiaries feel a lack of trust because they sense an inadequate commitment from HQ to explain their reasoning behind certain strategies or processes, the concept of trust appears in multiple aspects of the knowledge transfer process. Independently, this could have been traced back to Szulanski et al.'s. (2004) idea that HQ is perceived to be trustworthy if it can explain why a given action yields a given outcome which, in turn, make subsidiaries more open to receive knowledge. Nevertheless, the lack of trust also appears in the relevancy of the knowledge and information transferred from the HQ to multiple subsidiaries. Since subsidiaries feel that a big portion of the information communicated by HQ is irrelevant for their specific market, it can be argued that they feel a distrust from the HQ. Moreover, it prevails from empirical results that some subsidiaries mistrust HQ's willingness to transfer knowledge, and question HQ's underlying motive to hold back information. Last, despite the subsidiaries' autonomous nature, the empirics demonstrate the major issue where a large part of the subsidiary employees' workday consists of

waiting for, and chasing, responses from HQ. This is another phenomenon that makes employees feel unconfident in their relationship with the HQ and, in accordance with Gupta and Govindarajan (2000), this flawed communication setting is also a crucial impediment for knowledge transfer. Thus, trust appears as a key component in many situations of the knowledge transfer between HQ and the subsidiary, which indicates that trust is another important determinant in the knowledge transfer process that has not yet been emphasized by previous research.

5.7 The HQ-driven knowledge transfer process summarized

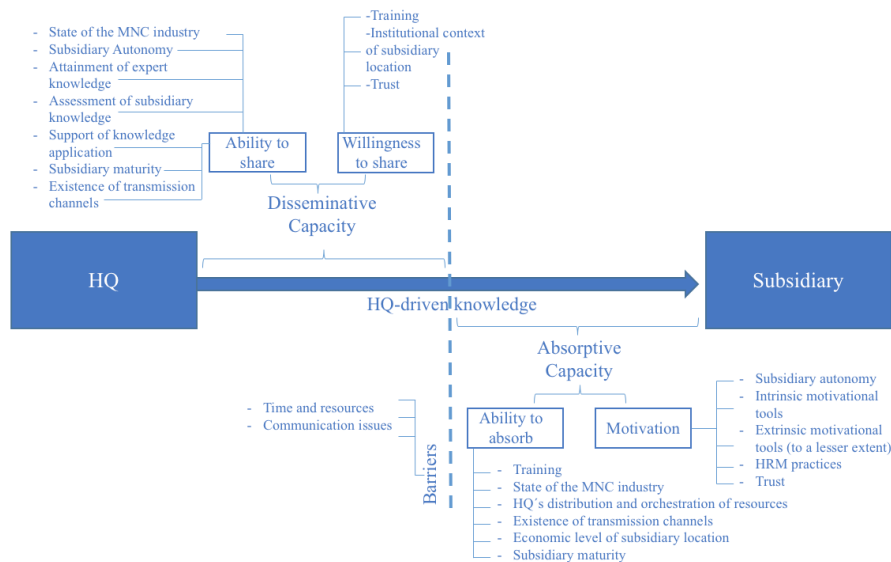
Summarizing the analysis of this case study's empirical findings, displayed in Figure 6 is an overarching model of the HQ-driven knowledge transfer process in the case enterprise. Consistent with Gupta and Govindarajan (2000), Minbaeva et al. (2014) and Fey and Furu, (2008), the MNC is a complex multi-dimensional unit where knowledge transfer is taking place not only along multiple functions but also across multiple geographical spaces. Here, in line with theory by researchers such as Minbaeva et al. (2014) and Schreiber et al. (2011), empirics do confirm that the ability and willingness of the sender, i.e. the HQ in the case study, to transfer knowledge affects the disseminative capacity of the MNC, and that the motivation and ability of receivers, i.e. the sales subsidiaries in the case study, to absorb knowledge, represents the MNCs absorptive capacity.

Similarities and consistencies between previous research and the findings of the case study are evident, according to what has previously been discussed, especially with regards to the determinants that steer the ability and willingness of the disseminative capacity of the HQ as well as the determinants that postulate the ability and motivation of sales subsidiaries to absorb HQ-driven knowledge. Emphasized determinants in the empirics, which are also discussed in previous literature by Szulanski et al. (2004) and Schulze et al. (2014), that affect HQs disseminative capacity are training, the attainment of expert knowledge, the assessment of subsidiary knowledge, support of knowledge application and the existence of transmission channels. Subsequently, in accordance with Gupta and Govindarajan (2000), Deci (1975), Huselid (1995), Minbaeva (2008) and Mahnke et al. (2005), the case study shows that factors such as training, the existence of transmission channels, the economic level of the subsidiary location, subsidiary autonomy,

intrinsic-and extrinsic motivational tools and HRM practices do impact on the subsidiaries' absorptive capacity.

However, also dissimilarities between the empirical data and previous literature, as well as new insights regarding additional determinants, not previously discussed by research but which have an impact on the HQ-driven knowledge transfer process, have been identified. One dissimilarity regards the fact that empirics prove the opposite to theory by Gupta and Govindarajan (2000), that knowledge inflows to a subsidiary from HQ will be greater, the lower sophistication and economical level of the subsidiary and its location. New insights delivered by this study are that also the state of the MNC economy and subsidiary maturity impact on the ability of HQ to share knowledge, and of subsidiaries to absorb knowledge, where an increase in the former aspect, negatively affect the knowledge transfer and an increase in the latter aspect increases the need for knowledge transferred. Moreover, it is demonstrated that HQ's orchestration and distribution of resources also plays a role in the ability for subsidiaries to absorb new knowledge, where a flawed distribution would have a negative impact on the transfer. Overarching barriers that have strong impact on the case enterprise's transfer of knowledge include, lack of time and resources, geographical distance and communication issues. Last, important to take forth is the finding that the issue of trust among units and individual employees do have an substantial impact on employees willingness to absorb and disseminate knowledge.

Figure 6: The HQ-driven knowledge transfer process model. Source: Compiled by authors.



6. Conclusion

Being the final chapter of this thesis, it will naturally summarize the most important findings of the study, as well as answering the posed research questions. Moreover, implications and contributions that are relevant to take forth from this study will be presented. In order to sum up, potential limitations and recommendations for future research will be discussed.

6.1 Main Conclusion

As stated in the beginning, the purpose of this study has been to investigate how MNCs' HQ-driven knowledge transfer process unfolds. Perhaps expected, similarities to the existing literature have been found. In accordance to, inter alia, Gupta and Govindarajan (2000), a high level of autonomy in the MNC has a negative impact on the knowledge transfer process since it hampers the establishment of relationships and communication between organizational unit, and few incentives are given to broaden employees' knowledge base. Moreover, it is proven by the findings of this study that motivational tools that increase intrinsic motivation are, as consistent with existing theory, viewed as more important than tools affecting extrinsic motivation. Nonetheless, this study has revealed new findings and contributions to the literature which can answer the sub-research question:

“What are the determinants of disseminative and absorptive capacity among HQs and subsidiaries in an industrial MNC?”

Building on consistency with theory, the richness of transmission channels within and between organizational units positively impacts on knowledge transfer within an industrial MNC, where this study adds to existing literature by demonstrating that not only the knowledge inflows to an organizational unit benefits from this, but also the knowledge outflows from an organizational unit. Furthermore, it is evident that the state of the MNC's industry has an impact on the knowledge transfer process, where an industry boom results in time constraints for employees both at HQ and subsidiaries which, in turn, affects their ability to transfer and absorb knowledge due to cancelled meetings, social activities, trainings etc. Furthermore, building on external factors, the institutional context of subsidiary location affect an industrial MNC's willingness to, inter alia, deploy expats

and to transfer sensitive information, which has an impact on the knowledge transfer process. Moreover, and perhaps most important, the findings of the study have shown that trust must be considered as an important determinant in the knowledge transfer process. Thus, in addition to the traditional determinants highlighted by the existing literature, i.e. ability and motivation/willingness, the foregoing mentioned determinants should be considered in the knowledge transfer process. Since the sub-research question is answered, the researchers have now the tools to answer the main research question of the study, namely:

“How does a headquarter-driven knowledge transfer process within an industrial MNC unfold?”

Keeping in mind that the study’s empirical findings are based on data from subsidiaries established a long time ago, it’s evident that, although the negative impact of high level autonomy has been highlighted by previous research, this study reveals that there is a need for a certain level of control or semi-autonomy, from a knowledge transfer perspective, in order to facilitate the HQ-driven knowledge process between HQ and mature subsidiaries. In other words, the HQ-driven knowledge transfer process within an industrial MNC doesn’t unfold as efficiently as possible under a decentralized organizational structure. Moreover, the findings of the study show that the HQ-driven knowledge transfer process is driven by a close interaction between HQ and subsidiary through, inter alia, training sessions, exchange programs and continuous support, non-financial motivational factors and trust. Moreover, although not in the hands of the MNC, external factors such as state of the industry does have an impact on how the HQ-driven knowledge transfer process unfold. Last, this study provides new insights regarding how knowledge transfer in an industrial MNC takes form in the inception of a change into a dynamic entity, by synthesizing that organizational slack and inadequate orchestration of resources in the industrial MNC negatively impact on the initiation and implementation of such transformation.

6.2 Managerial Implications

It becomes evident that for HQ-driven knowledge transfer to occur and be efficient in an MNC, both employees’ ability to share and take in knowledge, as well as their motivation to do so, must be in place. Here, the ability of employees to share and absorb knowledge should be seen as the

first, elementary condition that needs to be fulfilled. Thus, the management of MNC's needs to form strategies to fulfill the basic condition that provides the employees with the ability to take in information, including not only training, suitable information systems, existence of communication channels, expert knowledge and support, but also they need to take into account an adequate distribution of resources among units, differences in units' maturity and economic level and the potential impact of the current state of the industry. Once the MNC has succeed in providing its employees with the ability to share and absorb knowledge, the employees must feel motivated in order to engage in knowledge transfer.

Even though the ability must exist, the MNC should focus even more on increasing the motivational drive of the organization's individuals, in order to create an efficient transfer of knowledge, which in the end directly impacts on HQ's success in implementing new strategies and directives into its globally dispersed units. To increase employees' motivation to share and absorb knowledge, management needs to understand that it is not only monetary rewards, performance systems, social activities, and freedom that are important factors, but even more important is the existence of trust among individuals and units in the knowledge transfer. Thus, management is recommended to seek out strategies that further include how to establish trust among units, regardless if they are close to the HQ or geographically and culturally dispersed. All in all, enterprises are recommended to gain a deeper understanding of the function and nature of motivational factors, as this could be seen as an area that is often lacking. Without a truthful view of what drives employees, there is a risk of management trying to increase the employees' motivation in an inadequate manner that could have the opposite effect and instead decrease their motivation.

6.3 Contributions

First, by fulfilling the purpose of the study, as well as answering the posed research questions, this investigation provides theoretical contributions to existing literature. Even though this study confirms with previous research by for example Minbaeva et al. (2014), that ability and motivation dictates both the disseminative- and absorptive capacity, it adds by demonstrating that the dimension of trust is an additional important affecting factor in the knowledge transfer. Second, this study contributes with new insights as it shows that the state of the MNC industry, the maturity

of the subsidiary and the institutional context in which it is located, are other aspects that should be seen as determinants in the knowledge transfer process. Third, despite that previous research has focused on either autonomous or centralized subsidiaries, this study disclose the need for a discussion of semi-autonomy to facilitate the HQ-driven knowledge transfer process. Forth, this investigation provides for new insights by highlighting the MNC's organizational slack and orchestration of resources as determinative factors for the success of its introduction of transformative strategies.

6.4 Limitations

Just like any other study, this study has certain limitations to it which is acknowledged by the authors. First, the study was conducted in an industry boom which had an impact on the interviewees' answers. For future reference, it would be beneficial to conduct a similar study when the industry finds itself under a normal state, or in a recession, in order to compare the results. Second, the countries of the chosen subsidiaries do not differ significantly in culture as all of them developed markets in Western Europe. Arguably, they are characterized by similar values, norms and preferences which may put limits on discussions regarding cultural aspects, and how differences in subsidiary local culture may affect the empirical results. Third, the study was only conducted on sales subsidiaries. One can argue that the findings are limited in this sense. However, but we strongly see that the presented conceptual model in this study can be tested on subsidiaries with other functions as well.

6.5 Recommendations for Future Research

Linked to the previously discussed limitations of this study, the needs from future research evolve. In order to provide for a deeper discussion regarding potential effects of differences in cultural context and geographical location among investigated subsidiaries, the sample of interviewed units should be broadened to include not only mature units, but units with geographically and culturally dispersed locations. For instance, the comparison of subsidiaries located in emerging markets to units in mature markets is deemed to be relevant for a provision of a more nuanced picture of the HQ-driven knowledge transfer process.

Last, as this case study is a punctual one, demonstrating how knowledge transfer unfolds in an industrial MNC throughout the inception of a dynamic transformation, it would further be fruitful to investigate the matter with a longitudinal approach. Conducting an investigation over a longer period of time would fill a literature gap by showing the knowledge transfer process throughout an MNC's complete transformation process. The relevance of this more longitudinal study that focuses on the importance of knowledge transfer in dynamic transformational changes, should be seen as high, as organizations' of today are increasingly pressured by international competition and changed consumer demands to become more dynamic in order to stay competitive.

Appendix

Appendix 1. Interview guides

Interview questions for HQ

1. What is your work position and what tasks are included in your work?
2. For how long have you been on Atlas and the specific position?
3. Have you ever felt a reluctance from sales subsidiaries in terms of implementing and applying new strategies/processes that derives from HQ? What do you think are the reasons for them to gladly implement new strategies or to be reluctant to it?
 - Lack of expertise on certain areas (expert knowledge)
 - Not interested in applying a strategy created in another market (NIH syndrome)
 - Not motivated?
 - No time?
4. What can be reasons why HQ do not share news, information and knowledge with local sales units in the organization? Your perception of the subsidiary's unwillingness to receive new ideas?
 - Time consuming?
 - Risk of sharing sensitive information?
5. According to you, would you say that HQ actively works to communicate new practices and processes to subsidiaries or would you say that HQ is more of a support function in the company?
6. How much freedom do CCs have to decide on the way to market and sell products? Are there any guidelines they have to follow, for example manuals and blueprints from HQ or do they have a lot of autonomy?

7. How would you describe the relationship with sales units, what communication ways are there?

- Regular meetings
- Task forces
- Committees
- Social activities?
- Team-building activities?

8. Do HQ organize workshops or training sessions internally, or recruit experts in certain fields, e.g. specific product knowledge or market-specific knowledge, to more efficiently support subsidiaries in sales inquiries?

9. When communicating, sending out information to subsidiaries or organizing training sessions and workshops with subsidiaries, is it assumed that all subsidiaries are on the same knowledge level or do you make separate assessments for each subsidiary?

10. In addition to a verbal communication when communicating new strategies or processes to subsidiaries, do you create manuals/brochures/written instructions for the subsidiaries to review in order to facilitate the processes? If so, are those manuals translated into the local language of the subsidiary?

11. What measures do you take to make sure that the subsidiaries apply the strategies and guidelines communicated by HQ? Do you follow up to make sure that subsidiaries are applying HQ recommendations and instructions?

12. Have there been situations where HQ realize the need to motivate subsidiary employees, if so what tools and measures have been used to change attitudes and behavior?

- Incentive-systems?
- Promotion videos?

13. Have you considered worker exchange programs, e.g. shorter or longer expatriation of HQ representative in subsidiary, or subsidiary representative at HQ, to build a bridge between HQ and subsidiaries?

14. What would you say is sales units' general strengths and weaknesses?

Interview questions for sales subsidiary

1. What is your work position and what tasks are included in your work?

2. For how long have you been on Atlas and the specific position?

3. According to you, what is your perception of the role of the HQ?

- Source of new ideas/processes/strategies?

- Support function?

4. Do you consider the directives and information transferred by HQ to you to be reliable and relevant?

5. Have there been any situations where you find it hard or irrelevant to take in information or directives from HQ? Why?

- Lack of relevance of information provided?

- Low motivation to take in information?

- Lack of time?

- Lack in ability to understand the directives- too complex?

- Unfit of applying a sales strategy that was not created in your home market?

6. Do you ever think that HQ is not sharing all information with your sales unit? If so, do you believe it affects your motivation of implementing and take in new practices/processes from HQ?

7. How well do you think HQ explains its objectives and reasoning behind new strategies and initiatives that are expected to be adopted by you?

8. What do you believe would motivate the sales teams among subsidiaries to embrace sales processes from HQ? What would motivate you?

9. What do you think about the current incentive and reward system? How is individual and subsidiary performance measured and valued? What could be done better?

- Performance-based financial rewards? (Example: salary, bonuses, paid-for education)

- Rewards or bonuses that improves an employee's well-being/work life balance?

- Internal promotion system

- What would you think about having a monetary incentive system based how much knowledge employees share with others?

10. Is there room for your unit to form your own goals and systems, do they always have to be based on HQ directives, how much freedom do you get to set your own goals, as unit and individually?

11. How much responsibility do you have to create your own career path, development and job design?

12. How much influence do you, and other individual employees, have on decision making?

13. Do you approach HQ, by your own initiative, for feedback in terms of improving the efficiency or performance of your own operation?

14. From a subsidiary perspective, what tools are needed for you to actually apply new processes or strategies from HQ? Do you believe they provide it currently?

- Trustworthy level of expertise from the HQ?

- Support in the application phase?

- Continuous training session?

- Expatriation/ work exchange programs?

15. In addition to a verbal communication when communicating new strategies or processes to subsidiaries, would manuals/brochures/written instructions from the HQ facilitate the processes of applying the new practices? If so, would it be preferable to have those documents in a local language?

16. What communication ways are there with HQ - regular meetings, task forces, committees and social activities?

17. Do you believe an exchange/workshop with other subsidiaries regarding new sales processes would help you open up for new ideas and, thus, help you apply new strategies from HQ?

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