

The impact of operational structure, lateral integrative mechanisms and control mechanisms on intra-MNE knowledge transfer

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Abstract

This study develops and tests a comprehensive framework aimed at explaining outbound knowledge transfer at subsidiary level in multinational enterprises (MNEs). Three groups of influencing factors are examined; the operational structure surrounding the subsidiary, lateral integrative mechanisms and control mechanisms. Results indicate that the operational structure, knowledge sharing incentives, and subsidiary socialization, have a positive influence on outbound knowledge transfer. Further, permanent teams as lateral integrative mechanism negatively influence knowledge transfer, while the use of liaison mechanisms and temporary teams have a positive influence. Hypotheses are tested using data on 74 subsidiaries.

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1. Purpose and scope

Over recent years, knowledge has come to hold a central position in literature and has been claimed to be the most strategic resource of organizations (McEvily & Chakravarthy, 2002). Scholars seem widely to agree that the firm's ability to utilize different knowledge resources effectively is a fundamental underpinning to competitive advantage. Consequently, considerable research efforts have been devoted to the management of knowledge

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in multinational enterprises (MNEs) (e.g. Doz, Santos, & Williamson, 2001; Gupta & Govindarajan, 2000; Zander & Kogut, 1995). One important topic that has emerged concerns inter-subsidiary knowledge transfer, and how different organizational features may facilitate or hinder transfer processes (Björkman, Barner-Rasmussen, & Li, 2004; Harzing & Noorderhaven, 2006; Schlegelmilch & Chini, 2003).

While closing the “knowing-doing gap” in organizations (Repenning, 2002) is considered critical to competitive advantage, research has appreciated that there are substantial difficulties associated with the transfer of knowledge (Szulanski, 1996). Knowledge transfer does not take place on a routine basis (Gupta & Govindarajan, 2000) but must be manufactured, and it can bear high costs (Teece, 1977). Barriers to knowledge transfer such as tacitness or causal ambiguity are widely accepted (Lippman & Rumelt, 1982; Zander & Kogut, 1995). Despite the difficulties involved, it is of critical importance to understand how inter-subsidiary knowledge transfer can be created. A number of studies recognize the importance of knowledge transfer, but few of them empirically test to what extent subsidiaries engage in knowledge transfer activities, and especially what are the mechanisms (Ghoshal, Korine, & Szulanski, 1994) and organizational means (Foss & Pedersen, 2002) that facilitate this.

This paper contributes to this stream of research by developing and testing a comprehensive framework aimed at explaining outbound knowledge transfer at subsidiary level. The framework is composed of three specific points: first, subsidiaries in the MNE network exist in an operational and organizational structure that influences its ability and willingness to engage in knowledge transfer. Second, literature on MNE knowledge transfer has generally considered lateral integrative mechanisms, or transmission channels, as conducive to knowledge sharing in the organization (Ghoshal et al., 1994; Gupta & Govindarajan, 2000). However, despite indications that different types of mechanisms have different attributes and that this would bear consequences for their efficiency as facilitating inter-unit knowledge transfer (see for instance Denison, Hart, & Kahn, 1996), MNE literature has largely ignored this issue empirically. Third, given that subsidiaries may have goals and values that do not necessarily coincide with those of the headquarter (HQ) organization (Ghoshal & Bartlett, 1990), reaching integration through knowledge transfer may require the implementation of different types of control mechanisms in the HQ-subsidiary relationship. Specifically, this paper contributes by (1) developing and testing a framework composed of three sets of factors that previously have only been addressed in isolation, and (2) by developing and testing hypotheses in a previously under-researched area, how alternative inter-subsidiary integrative mechanisms vary in efficiency with respect to knowledge transfer.

2. Theoretical background

One way of depicting the MNE, that has won ground over recent years, is as a network of subsidiaries differentiated by their roles, resources and the surrounding environment (Nohria & Ghoshal, 1997). This “differentiated network” perspective emphasize that the MNE is simultaneously present in a variety of institutional contexts. By engaging in interaction and exchange with local counterparts, subsidiaries may draw from their local business contexts and contribute to the development of new knowledge and competence in the MNE (Almeida & Phene, 2004; Andersson, Forsgren, & Holm, 2002; Davis & Meyer, 2004; Frost, 2001; Manolopoulos, Papanastassiou, & Pearce, 2005). In this way, the MNE

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