



Subsidiary managers' knowledge mobilizations: Unpacking emergent knowledge flows



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ABSTRACT

Knowledge flows are a key source of advantage for multinational corporations (MNCs); however the nuances of knowledge flow practices and their micro-foundations require further theoretical development. Using qualitative data on 40 cases of subsidiary managers' knowledge mobilizations, this paper unravels micro-level practices of knowledge flows in MNCs. We find that subsidiary managers' knowledge mobilizations initiate a complex pattern of subsidiary knowledge inflows, pinpointing the significance of lateral and bottom up exchanges (locally as well as internationally). We use these insights to distinguish between two types of subsidiary knowledge flows: deliberate and emergent, and discuss how their differences have profound implications for the investigation of MNC knowledge flows and their micro-foundations.

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1. Introduction

Knowledge flows are an important source of advantage for multinational corporations (MNCs) (Gupta & Govindarajan, 2000; Kogut & Zander, 1992; Kogut and Zander, 1993; Mudambi, 2002). There are two main ways that make knowledge flows in the MNC strategically important. First, knowledge may be shared for reuse and leverage, i.e. flow from an 'advanced' competence creating unit to other units which then implement and utilize the generated knowledge. This leads to a reuse of technologies, practices, processes and competences across the MNC (Ghoshal & Bartlett, 1988; Kostova, 1999; Kostova & Roth, 2002; Szulanski, 1996; Szulanski & Jensen, 2006; Zander & Kogut, 1995). Second, knowledge flows serve as inputs for competence development whereby different existing knowledge is combined, integrated and blended to create new knowledge (Ghoshal & Bartlett, 1988; Kotabe, Dunlap-Hinkler, Parente, & Mishra, 2007; Mudambi, 2002; Regner & Zander, 2011; Tsai, 2001). In addition to utilizing MNC (internal) knowledge, external knowledge sourced from other organizations may offer unique, non-redundant, and context-specific knowledge for competence development (Almeida & Phene, 2004; Meyer, Mudambi, & Narula, 2011; Phene & Almeida,

2008). Although knowledge flows include operational and day-to-day exchanges, this paper is concerned with such competence impacting knowledge flows from a subsidiary perspective.

Research on MNC knowledge flows taking a subsidiary perspective has seen considerable interest over the last couple of years. A systematic review of this literature (Michailova & Mustaffa, 2012) highlights two important gaps which this paper directly addresses. One, previous studies on knowledge flows are heavily biased towards aggregated examinations that leave under-explored specific practices that constitute a knowledge flow and so, in their agglomeration, create the MNC-specific pattern of knowledge flows. Unearthing the nuances of such practices can yield a more grounded and conceptually refined understanding of knowledge flows (see also Tallman & Chacar, 2011a,b), in particular in relation to how practices at the micro-level initiate and lead to certain patterns of MNC knowledge exchanges. Two, Michailova and Mustaffa (2012) conclude that subsidiary characteristics have been the predominant focus of previous research at the expense of analyzing knowledge flows at the level of the individual. Given the need to deepen insights on individual behavior and individual agency, there have been repeated calls to examine knowledge flows at the micro-level to advance our understanding of their micro-foundations (Doz, 2006; Foss, 2006; Foss & Pedersen, 2004; Mäkelä, Andersson, & Seppälä, 2012; Minbaeva, Mäkelä, & Rabbiosi, 2012; Tippmann, Mangematin, & Sharkey Scott, 2013; Tippmann, Sharkey Scott, & Mangematin, 2012). Micro-foundations generally refer to individual-level factors, here knowledge mobilization practices, that help to explain a collective phenomenon, in this study MNC knowledge

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flows (Felin & Hesterly, 2007) and give primacy to the activities of individuals in organizational knowledge processes (Felin, Zenger, & Tomsik, 2009).

To contribute towards filling these voids relating to knowledge flow practices and MNC knowledge flow micro-foundations, we differentiate between two different patterns of competence impacting knowledge flows: *deliberate knowledge flows* (the intentional, top management-driven strategic effort to managing the pattern of competence impacting knowledge exchanges) and *emergent knowledge flows* (the lateral and bottom up competence impacting knowledge exchanges that are not directly guided by top management). We undertook a qualitative investigation into 40 responses to non-routine problems sampled from four subsidiaries and analyzed the details of subsidiary managers' knowledge mobilizations, i.e. knowledge searched for, identified and transferred to initiate and enact a knowledge inflow. Delineating these knowledge mobilization practices and patterns, this paper contributes by unpacking the nuances of emerging knowledge flows, showing how subsidiary managers may initiate bottom up and later knowledge mobilizations which reuse MNC knowledge in an emergent fashion. Our detailed investigation has implications for studies on MNC knowledge flows, particularly studies taking a subsidiary perspective and examinations concerned with knowledge flow micro-foundations.

The next sections introduce the theoretical background of competence impacting knowledge flows initiated by subsidiary managers. We then outline our methodology for this exploratory study, present the main findings and their implications for theory, future research and management practice.

2. Competence impacting knowledge flows: deliberateness and emergence

Drawing on Mintzberg and Waters (1985), we argue that the literature on competence impacting MNC knowledge flows can be summarized into two perspectives: deliberate and emergent knowledge flows.³ The first, deliberate knowledge flows, denotes an intentional, top management-driven strategic effort to managing the pattern of competence impacting knowledge exchanges. It refers to the leverage of 'superior' competences which are usually generated by headquarters or advanced subsidiaries with creative roles (Meyer et al., 2011). As a MNC's knowledge related advantages hinge on its ability to transfer competences effectively and efficiently, such deliberate knowledge flows are a central part of MNC strategy and substantial efforts have been made to build MNCs' capacities to leverage 'superior' processes and practices across their dispersed operations.

Deliberate competence and knowledge replication may follow different approaches (Szulanski & Jensen, 2006). The parent organization often pursues a directing role (Szulanski, 2000) with the subsidiaries becoming "confronted with internal organizational pressure from their parent company to adopt a practice" (Kostova, 1999; Kostova & Roth, 2002, p. 217). Even in lateral knowledge flows between subsidiary units, headquarters may direct and actively participate in these exchanges (Ciabuschi, Dellestrand, & Kappen, 2011; Yamin, Tsai, & Holm, 2011); an involvement which is more likely if corporate value creation could be at stake (Poppo, 2003). In these deliberate knowledge flows, MNC management often decides strategically on what knowledge is leveraged, the timing of replication and on the approaches for

executing such replication efforts. The role of subsidiary management is to ensure that the inflowing knowledge is adopted, implemented and the risk of minimal (or even ceremonial) adoption avoided (Kostova & Roth, 2002). The task of front-line employees is to internalize the knowledge by developing knowing-in-practice (Hong, Snell, & Easterby-Smith, 2009), and they may undertake certain adaptations to respond to local, context-specific needs (Saka-Helmhout, 2009, 2010). Overall deliberate knowledge flows unfold top-down within subsidiaries.

In addition to deliberate knowledge flows, there is also evidence that knowledge is exchanged, reused and leveraged in the MNC in more emergent ways. Besides their role in knowledge and competence implementation, subsidiary managers, for example, also actively search for knowledge (Tippmann et al., 2013a, 2012), in particular when motivated by a need to respond to non-routine problems (Cyert & March, 1963). This motivated search behavior – or problematic search – may lead relevant knowledge to be sought and selected (Schulz, 2003) and has been previously linked to MNC knowledge flows (Monteiro, Arvidsson, & Birkinshaw, 2008; Zellmer-Bruhn, 2003), as it leads to subsidiary knowledge inflows if knowledge is mobilized from external or other internal MNC units to assist subsidiary-led solution finding activities.

Aligning with our emphasis on competence impacting knowledge flows, the middle management perspective of strategy and organizational knowledge suggests that middle managers of the MNC are the nexus for many knowledge flows that relate to organizational competences. Using a broad definition (Wooldridge, Schmid, & Floyd, 2008), MNC middle management includes managers below MNC top management and above first-level supervision in the organizational hierarchy. In this study, the focus is specifically on subsidiary mid-level management, referred to as subsidiary managers throughout this paper. With the rise of networked or heterarchical MNC structures (Bartlett & Ghoshal, 1998; Ghoshal & Bartlett, 1990), subsidiaries in general have a more central role in the exchange of knowledge, receiving knowledge from headquarters and other units (Gupta & Govindarajan, 1991, 2000). Within such a complex and decentralized architecture of MNCs, characterized by vertical and lateral knowledge flows across different hierarchical levels of the organization, middle managers (such as subsidiary managers) undertake the critical task of mediating, catalyzing and leading knowledge exchanges (Hedlund, 1994; Nonaka, 1988, 1994).

Looking more closely at vertical knowledge flows, front-line staff possess knowledge that is very specific to their immediate task environment, and top management provides strategic direction and knowledge with regards to the general product-market, technological or geographical domain (Mom, Van Den Bosch, & Volberda, 2007). Operating at the nexus where this specific, bottom up knowledge and general, top-down knowledge collide, subsidiary managers have channels to mobilize knowledge from subsidiary front-line and higher-level management both located at the focal subsidiary and other international sites.

Middle managers are also critical in developing and maintaining the lateral connections within large organizations such as MNCs (Hedlund, 1994; Nonaka, 1994), interacting with management peers across functional and geographic boundaries. Such lateral communication across geographic space is an important integrating device within MNCs to manage the dispersion of the organization (Ghoshal, Korine, & Szulanski, 1994). Subsidiary managers may utilize these horizontal links to mobilize knowledge (Mors, 2010) and may cross-leverage competences by 'moving' existing capabilities to areas where they believe these capabilities can generate value (Taylor & Helfat, 2009).

³ As Michailova & Mustaffa (2012) offer a comprehensive and systematic review of over 60 articles to outline the main findings regarding subsidiary knowledge flows, we only outline and justify here the theoretical framing that was employed to investigate competence impacting knowledge inflows initiated by subsidiary managers.

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