

**Drivers and barriers to effective knowledge transfer between HR subunits
in Central Eastern Europe**

Workshop paper. Comments are most welcomed. Please do not quote

Abstract

This paper is a case study of effectiveness of knowledge transfers between HR subunits of a multinational corporation in Central Eastern Europe. It is based on five interviews with HR managers at regional headquarters in Vienna, Austria, and subsidiaries in Czech Republic and Hungary. This study aims to bring contributions to the literature on knowledge transfers primarily by its focus on understudied functional subunits (Human Resources departments), geographical settings (Central Eastern Europe), and a more in-depth, case-study research approach.

Introduction and paper overview

This paper is a study on effectiveness of knowledge transfers between HR departments in a multinational corporation operating in Central Eastern Europe. In the first part of the paper, we present a body of literature on knowledge transfer in multinational corporations, and introduce the issue of effectiveness in the research on international knowledge transfers. Following the literature review, we introduce the employed research method: case study research, present study settings, company, the function HR, and our informants. Afterwards, we present and discuss obtained results, and conclusions. In the end, we address limitations caused by the selected method and research settings.

Literature review

The literature on knowledge transfer is immense and has been continuously growing over the past decades. Despite the abundance of theories, frameworks and models that have been reviewed in the literature, a few core themes reoccur continuously. Many authors agree that most of the important knowledge for organizations is tacit, hence difficult to transfer or sticky (see: Nonaka, 1994; Szulanski, 1996; Grant, 1996; Simonin, 1999; Schulz, 2001; Doz et al., 2001; Szulanski & Cappetta, 2003). Furthermore, they agree that people make a company hence interpersonal relationships and all factors that influence them matter (see: Simonin, 1999; Doz et al., 2001; Taylor & Osland, 2003; Szulanski & Cappetta, 2003; Von Krogh, 2003; Cross & Sproull, 2004; Haas, 2006; Makela et al., 2007; Makela, 2007), which implicates the importance of intra-organizational networks (see: Andersson & Forsgren, 1996; Andersson et al., 2002; Forsgren et al., 2005; Gärber & Ambos, 2007). Moreover, not all knowledge transfers are equally beneficial for the company; there is an issue of effectiveness and the assessment of the value of knowledge in context, or just its relevance (see: Grant, 1996; Tsai, 2001; Doz et al., 2001; De Holan & Phillips, 2003; Schulz, 2003; Cross & Sproull, 2004; Ambos, 2004; Mahnke et al., 2006; Ambos et al., 2006; Haas & Hansen, 2007; Williams, 2007; Fang et al., 2007).

In 1998, a forum on knowledge and the firm at U.C. Berkley's Haas School of Business took place where a number of scholars (notably: Nonaka, Von Krogh, Cole, Adler, and many more) shared their opinions and beliefs on knowledge sharing in multinational corporations (MNCs). Despite the large contrast between Western approaches, that the "knowledge market [is] driven by pure self-interest" and the Asian idea of a "sharing community inspired wholly by love, care, and generosity" – a consent was reached that the ideal probably lies somewhere in between (Cohen, 1998).

Even though that scientific meeting took place a decade ago, relevance of discussed issues - when looking at current research on knowledge transfer - is truly impressing. In Cohen's (1998: 38) concluding remarks he discusses themes being rather "inclusive [...] than exclusive", "combining rather than narrowing" and "more concerned with connections and relationships than conclusions". I strongly support this notion and would like to add something to that. Many Western cultures predominantly focus on hard facts whereas Eastern cultures approach things rather from the "soft" side which has led to many past misunderstandings. At the moment, an ongoing trend can be observed where Western cultures are trying to come to a better understanding of Eastern cultures in a number of different areas like sports and wellness in addition to business practices. Talking about love, care and generosity in a business context leaves many Westerners at least puzzled; I believe the impact of these characteristics when used in the business world has been underestimated. Every company is different – different goals, mission statements, corporate cultures, etc. Therefore, no single recipe exists that can be generally applied. Openness is a key. If practitioners were open to a number of possibilities which may drive and impede knowledge transfer, they will eventually find out what can be applied and implemented in their company. All theories, concepts and models discussed above can be relevant; the key is to discover the perfect mix.

The issue of effectiveness in research on knowledge transfer

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

Ambos (2004) was among the authors who noticed this research gap and focused on effectiveness of knowledge transfers in multinational companies. Also focusing on effectiveness of knowledge transfers, looking at subsidiary performance as connected to number of knowledge outflows, Mahnke et al. (2006) were able to determine *lack of appropriate communication channels* as the main impediment and *reciprocal inflow of knowledge* as well as *acknowledgement of unique subsidiary knowledge* as the main enablers of knowledge outflows. Furthermore, they found out that too much knowledge

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

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

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

Haas & Hansen (2007: 1133) also noted that "more knowledge sharing is no guarantee of improved performance" and therefore were able to prove that various types of knowledge affect various tasks differently. The authors looked at three indicators of productivity when working with knowledge: time saved, quality of work and ability to signal competence. It has to be noted that they performed empirical research in a management consulting company where these factors seemed particularly vital for work performance. For example, signals of competence influenced the bid for a new client significantly (Haas & Hansen, 2007: 1137). On the basis of these factors the authors examine two types of knowledge sharing – personal advice usage (involving direct contact between provider and receiver of knowledge) and electronic document usage (stand-alone resource, document-to-people sharing) which, as they note, do not have to be mutually exclusive but may actually lead to one another (Haas & Hansen, 2007: 1135-1136). Furthermore, Haas & Hansen (2007: 1149) were able to demonstrate that "using high-quality electronic documents increased time

savings [...] but did not affect work quality or the signaling of competence” whereas “drawing on advice from experienced colleagues improved quality [...] and increased their ability to signal competence [...] but did not save time”. They point out that “the costs of knowledge sharing may sometimes outweigh the benefits, using document and personal advice from colleagues around the firm does not necessarily help – and sometimes actually hurts – task-level performance” (Haas & Hansen, 2007: 1150).

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

Another scholar addressing the issue of success when transferring knowledge is Williams (2007). He looks at replication – “[the] effort aimed at creating activities at one location that are identical to those at another location” – and adaptation – “[the] effort toward the goal of modifying or combining practices from a source unit” – of knowledge and found out that, although earlier research has often either emphasized the need for one or the other, there is a mutualism of replication and adaptation in knowledge transfer relationships (Williams, 2007: 868-870). He was able to prove that “replication rises when knowledge is more discrete, while adaptation rises when the receiving firm understands the knowledge it is getting”. Furthermore, Williams (2007) acknowledges the ambiguous and context-dependent role of organizational knowledge, leading to a number of uncertain relationships the company is confronted with when transferring knowledge. A “continuous process of modification and observation” (Williams, 2007: 869) is needed to manage these relationships in order to result in a successful knowledge transfer. Based on his research, Williams (2007: 884) advises companies to distinguish between ambiguous knowledge, which needs to be replicated exactly, and context-specific knowledge, which should rather be subject to adaptation.

Fang et al. (2007) directed their studies on the multinational company’s capability to transfer knowledge to its subunits. Their research tries to resolve the paradox that the most valuable resources for a firm are also the ones that are most difficult to transfer. Fang et al. (2007: 1055) identified four knowledge resources: “internationalization experience” and “local host country experience” which are both geographically based; and “technological knowledge” and “marketing knowledge” which are built within the firm. That study stands out because of its scope: the authors were able to obtain a sample of almost 5000 Japanese

subsidiaries which were monitored over a period of fourteen years from 1990-2003 (Fang et al., 2007: 1057). Results support the resource-based view of the firm stating that “knowledge that is valuable, but not rare, can lead to a short-term but not long-term competitive advantage. Conversely, knowledge that is valuable, rare, and resistant to imitation and substitution can lead to a long-term competitive advantage.” (Fang et al., 2007: 1061).

Critical notes on contemporary knowledge management literature

Foss (2006: 7) identifies three fundamental problems when looking at “the whole ‘knowledge movement’ in business administration” First, he sees a lack in micro-foundations, there is “no theory of individual agency in recent knowledge-based work, and therefore no individual-level constructs to base aggregate constructs on” (Foss, 2006: 7). He criticizes the fact that recent work on cognitive and motivational drivers and barriers to knowledge transfer in the MNC have been taken as starting points for research, when they should have been taken as mere hypotheses. Second, Foss (2006) identifies a lack of understanding the MNC knowledge structure. He believes that the main focus has been put on understanding knowledge flows, when the stratification of knowledge stocks should be understood first. Third, a lack of causality is existent according to Foss (2006) with no clear framework that explains a variety of cause and effect relationships within the MNC when it comes to the interaction of organization and knowledge.

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

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

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

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

**Figure 1: Transition Equations
(Foss, 2006: 15)**

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

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

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

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

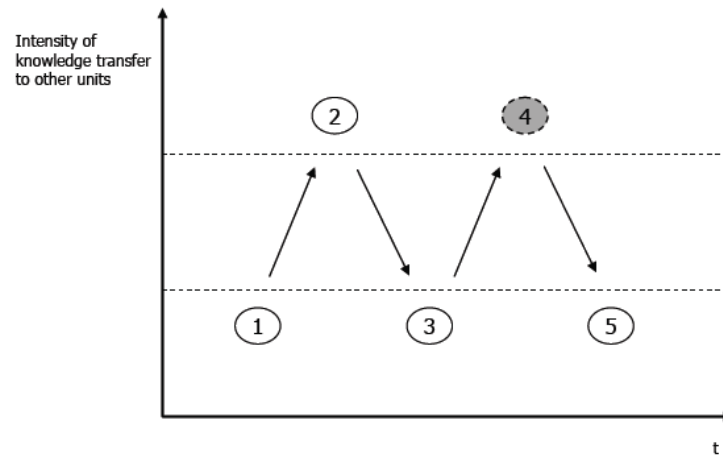


Figure 2: A Model of Discontinuous Knowledge Flow (Ambos & Ambos, 2007)

This highly simplified model shows an organizational unit in five phases of differing levels of knowledge outflows. During the stages 1, 3 and 5, the unit rests in “creation-mode” while in stages 2 and 4 it actively disseminates knowledge. The authors characterize the stages of creation with a state of local knowledge search, high degree of autonomy, little inference from others and building ties with local stakeholders. Specifically in this mode, units might benefit from isolation and low knowledge outflows. During the stages of dissemination the integration with the rest of the MNC is the focus of attention.

Ambos & Ambos (2007) highlight the fact that the critical process when looking at these stages is the transition from one stage to the other. The term “de-integration” has been suggested cautiously for the transition from stage 2 to stage 3 but as for the remaining stages no terms and explanations have been specified so far. Ambos & Ambos (2007) believe that high levels of flexibility in organizational design will be necessary in order for units to move successfully between stages.

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

Research design and method

We carried out a case study built on a model developed by Ambos (2004) at a large multinational company with regional headquarters in Vienna. We conducted five semi-structured interviews with HR managers of varying levels. The sample included two

subsidiary managers from Czech Republic and Hungary, respectively, and three managers working at the regional headquarters in Vienna.

In the following, we are presenting the case study method as a research instrument including qualitative interviews and interviewing elites, then describe the company and address the role of HR. After that, we look at Ambos' (2004) model in more detail and explain the interview guideline that was derived from it. We will conclude by explaining the interview setting and providing detailed information about our respondents.

Research strategy – the case study method, qualitative research interviews and notes on interviewing corporate elites

The case study method is particularly suitable for studies that “require detailed understanding of social and organizational processes” (Hartley, 2004: 323). Hartley (2004) calls it even a research strategy rather than a method. One of important challenges of conducting a case study is to identify the “gatekeepers” with crucial information within an organization (Hartley, 2004: 327). For our research project, we succeeded in obtaining information from the actors most involved in the studied process of international knowledge transfers in Central Eastern Europe.

When choosing this research method, a rich literature review prior to the case study is very important or as Hartley (2004: 324) puts it: “The value of theory is the key”. It serves as an aid for defining appropriate research design and data collection, and in the end helps to generalize results (Yin, 2003: 33). An extensive literature review for our study was presented in the previous section.

Semi-structured interviews will serve as the primary data collection tool in the case study at hand. The goal is to see the research topic from the interviewees' perspective and focus on situations taken out of real-life context of the interviewees (compare: King, 2004: 11).

The issue of using corporate elites as informants has been addressed by Welch et al. (2002). An elite interviewee in international business can be defined as “an informant (usually male) who occupies a senior or middle management position; has functional responsibility in an area which enjoys high status in accordance with corporate values; has considerable industry experience and frequently also long tenure with the company; possesses a broad network of personal relationships; and has considerable international exposure” (Welch et al., 2002: 613). At this moment it is important to note that four out of five respondents in our study were women, which is typical to the studied subunits in most of businesses. The authors (Welch et al., 2002: 614-616) stress four factors that need to be regarded when interviewing elites: obtaining *access* to elites can be difficult without an influential

“sponsor” and connected to certain costs and probable bias in sampling, managing the *power* asymmetry between interviewer and interviewee is critical, the degree of *openness* which researchers can expect from elites can vary, owing to tight organizational policies, and the issue of giving *feedback*.

Post-interview cooperation has been found to be beneficial for the research project resulting in verification of results and some additional information. In the case of our study we contacted the company once after the last interview, since the issues which were unclear after the first round of interviews were clarified during the second round. We also analyzed company internet sites to obtain or validate basic data on the company and subsidiaries, such as time of establishing, size, etc.

Many authors, e.g. already quoted Welch et al. (2002), recommend pre-interview preparation on the side of the researchers including acquiring information about the interviewee and the company, the researcher having “the insight of an insider but the neutrality of an outsider”, and sending a final draft as feedback to have the results checked and confirmed by the informant (Welch et al., 2002: 624-625). Because of the presence of the studied company in the life of our research institution, we believe we were able to acquire a good deal of background information prior to the interviews.

The company

For our empirical research, we have selected a big manufacturing MNC with regional headquarters based in Vienna responsible for Central Eastern Europe. This choice was opportunistic, driven by an established connection to the company; nevertheless the organization of the studied company is similar to many other multinational corporations present in the studied region, which established their regional headquarters for companies operating in Central and Eastern Europe in Vienna. The company is headquartered in Germany and employs more than fifty thousand people in more than one hundred countries around the world. It operates in three business sectors: laundry and homecare, cosmetics and toiletries and adhesives technologies. The CEE division holds a leading market position in many product categories. The company is present in all countries of the CEE region.

The role of HR

Since we decided to focus on HR departments, which we believe is an understudied area in research on knowledge transfers, we would like to examine the role of HR hereafter and point to the relative importance of HR in managing knowledge within the MNC.

Formerly known as personnel management, the term Human Resource Management (HRM) also indicates the changing role from a “service deliverer, a management tool” (Holbeche, 1999: 5) to a strategic orientation when it comes to managing “human resources”. People are seen as assets, as “human capital resources which include the skills, competencies, experience and intelligence of employees” (Holbeche, 1999: 10). Holbeche (1999) sees the challenge of HR practitioners in developing and supporting the aspects of an organization’s human resources that can be turned into a competitive advantage for the company. Therefore, HR managers often act as “change agents” to prepare an organization’s culture for challenges to come (Holbeche, 1999: 11).

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

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

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

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

A model of knowledge transfer in MNCs

Tina Ambos (2004) developed a conceptual model of the knowledge transfer process across geographically dispersed subunits within the MNC. The central idea of this model suggests that “the transfer of knowledge has to correspond to the strategic network position of the organizational unit as well as to the unit’s internal capabilities to manage knowledge” (Ambos, 2004: 58). The model consists of six constructs which can be seen in Figure 2.

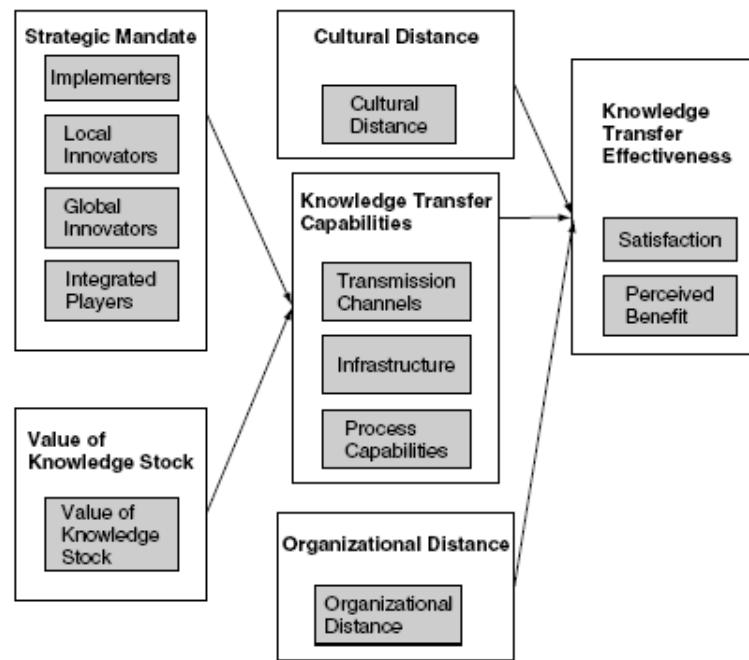


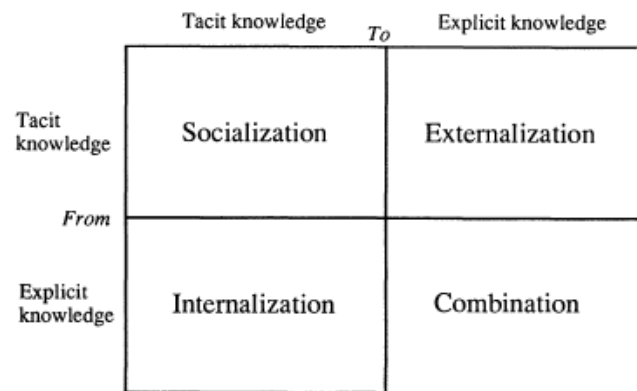
Figure 2: A Model of Knowledge Transfer
(Ambos, 2004: 59)

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

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

A company develops a certain "organizational architecture" in order to manage corporate knowledge. Ambos (2004: 61-64) distinguishes transmission channels, infrastructure and processes in terms of *Knowledge Transfer Capabilities*. Transmission channels can be divided into formal and informal channels and lateral and vertical channels. Gupta & Govindarajan (2000) suggest that informal channels are important for inter-subsidiary knowledge transfer. One aspect of the knowledge management infrastructure in a MNC is the technological dimension, meaning "technology-enabled ties that exist in a firm" (Ambos, 2004: 62). This includes "business intelligence (knowledge regarding competition and the broader economic environment), collaboration of individuals within the company and distributing learning, knowledge discovery (discover internal and/or external knowledge), knowledge mapping (track sources of knowledge), opportunity generation (track knowledge about customers) and security (prevent inappropriate use)" (Gold, Malhotra and Segars, 2001 in Ambos, 2004: 62). Knowledge processes refer to the modes

of knowledge conversion between individual and organizational knowledge as identified by Nonaka & Takeuchi (1995 in Ambos, 2004: 62-63) – Socialization, Externalization, Internalization and Combination. These modes of conversation can be applied to intra-organizational knowledge transfer – externalization happens before units exchange knowledge, socialization occurs when sender and recipient interact mutually, internalization is used to integrate the knowledge received, and combination describes the process when the new knowledge is being processed by the target unit. The above described modes of knowledge creation developed by Nonaka (1994) can be viewed in Figure 3.



**Figure 3: Modes of the Knowledge Creation
(Nonaka, 1994: 19)**

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

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

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

Interview guideline

Interview guides were divided into six sections based on Ambos’ (2004) model – strategic mandate, value of knowledge stock, knowledge transfer capabilities, organizational

difference, cultural difference and knowledge transfer effectiveness. There were two different types of questionnaires, one for subsidiary managers and one for managers working at regional headquarters. Questions for regional HQ managers were based on subsidiary interviews, meaning that each question was posed with regard to all subsidiaries in general, and then the two focal subsidiaries in particular. The goal was to capture a difference in subsidiaries' and headquarters' perceptions. In the following, each of the six sections in the questionnaire/interview guide will be explained separately.

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

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

Interview setting and respondents

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

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

A second interview round was to be held a week later focusing on the HR director for Central Eastern Europe at regional headquarters. Surprisingly, the HR director was so kind to schedule another three interviews, making it a total of four interviews at regional HQ. This allowed to eliminate the single respondent bias at the HQ level, which in contrary could not be avoided during the studies at the subsidiary level, and causes an important limitation. The interviewers were invited to come to the company premises in Vienna and were presented with a schedule prior to the meeting. The interviews were conducted in the same manner as the subsidiary interviews, one employee of the company seemed to have been put in charge of organizing the interview process, escorting interview partners into the room and keeping the researchers updated about time delays and changes in the schedule. Unfortunately, the first interview had to be cancelled due to an important meeting at short notice but the other three interviews took place as planned.

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

Below, interviewees will be referred to in abbreviated forms including nationality and whether the managers work at one of the subsidiaries or regional headquarters.

Results and Discussion

Interview Results

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

Strategic Mandate

In terms of frequency of knowledge exchange, differing answers were presented by the two subsidiary managers. CZ-sub indicated to exchange knowledge more frequently (3 times per week) compared to HU-sub (3 times per month). However, both subsidiaries exchange more knowledge vertically than horizontally suggesting the strategic mandate of an “Implementer”, characterized by low outflows and high inflows of knowledge (see Gupta & Govindarajan, 1991), from the viewpoint of the subsidiaries. CZ-sub estimated a ratio of 80:20 – in:out and HU-sub believed it was 70:30 – in:out.

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

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

seemed to be a relatively relaxed and trustful relationship between the representative of CZ-sub and SK-RHQ who also communicated using both their mother tongues.

As for RUS-RHQ, knowledge exchanges with subsidiaries seemed to be much less frequent in general. She declared to exchange more knowledge with the Hungarian subsidiary at the moment, owing to a change in HR and the implementation of a new development center there. Furthermore, she stated to involve the two focal subsidiaries more often in knowledge exchanges than, for example, the subsidiary in Ukraine, where “no knowledge comes from”. This notion was shared with CZ-sub who also mentioned that she thinks knowledge and expertise is probably higher “the further you go west”, giving the example of “Ukraine having not much knowledge compared to Austria/Germany”. In general, RUS-RHQ believed that some subsidiaries just ask closer MNC representatives, providing the example of Kazakhstan rather asking Moscow for help than Vienna although being part of the CEE region and officially reporting to regional HQ in Vienna. In terms of knowledge exchange ratios, she distinguished between projects that start at regional headquarters in Vienna (20:80 – in:out) and projects that are just implemented by Vienna coming from corporate HQ (10:90 – in:out).

Value of knowledge stock

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

The immediate reaction by regional HQ-managers when asked to evaluate knowledge stock of regional HQ compared to subsidiaries was confusion towards the specification of what

type of knowledge was concerned. The answers included “the question is the type of knowledge”, “this is hard to answer” and “I cannot compare”. All three interviewees agreed on subsidiaries holding a higher level when it comes to knowledge about local business, laws and regulations while HQ having a higher knowledge stock concerning key information, implementations from corporate HQ and strategy alignment. There was no difference perceived by HQ when I came to the evaluation of knowledge stocks between the two focal subsidiaries.

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

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

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

Knowledge transfer capabilities

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

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

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

In terms of interpersonal contact, the two subsidiary managers were asked to differentiate between interpersonal contact on a vertical and a horizontal level. It seems that there is no interpersonal contact between subsidiaries without the initiation of regional HQ whose representatives are always present. There are 2-3 annual workshops for all subsidiaries; this includes the workshop that took place when interviews with subsidiary managers were scheduled.

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

Organizational distance

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

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

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

Cultural distance

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

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

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

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

Effectiveness of knowledge transfer

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

with the knowledge exchange but was very clear about perceiving them as “very beneficial” to her department.

Regional HQ managers all shared an answer to the question of satisfaction with past knowledge exchanges, being “good deal satisfied”. When considering the focal subsidiaries, both SK-RHQ and D-RHQ indicated being “very satisfied” with knowledge exchanges. In terms of benefits, answers differed. D-RHQ evaluated them as “very beneficial”, while SK-RHQ assessed knowledge exchanges with both subsidiaries as “good deal beneficial”. Also, while SK-RHQ could easily think of the last three knowledge exchanges she or her department was involved in, labeling them as “very smooth and accurate”, D-RHQ thoroughly thought about the question and wrote the last few knowledge exchanges down on a notepad. Furthermore, SK-RHQ remarked that in terms of measuring satisfaction and benefits, perception of subsidiaries would be of importance. Obviously still thinking about this last question, SK-RHQ sought out the interviewers after the interview was already over adding that “some information might not seem useful for the subsidiaries but HQ knows that it is important”.

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

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

Concluding, it can be said that all participating managers seemed to be very committed to the purpose of the study. Some interviewees even started to reflect on certain issues related to knowledge sharing, as a conversation between SK-RHQ and D-RHQ could be observed after the interviews were over talking about various issues that had been brought up during the interviews.

Conclusions

The goal of this case study was to exhibit an insight into current knowledge transfer practice in a multinational company with a focus on factors that influence effectiveness of knowledge flows. Starting with a general overview of organizational knowledge, the research topic was narrowed down constantly resulting in the identification of a few reoccurring themes that seem to influence knowledge transfer in MNCs. Acknowledging the individual nature of each MNC and bearing an element of flexibility in mind, no general formula can be presented for an effective knowledge transfer within the MNC. It is rather a composition of a number of individually different factors that determine success in this area. Using a model developed by Ambos (2004), a interview guide was compiled and tested empirically in a multinational company holding an extensive CEE division with regional headquarters in Vienna, Austria. Two subsidiary representatives from Czech Republic and Hungary, represented by a national of each country respectively, and three managers of different nationalities (Slovak, Russian and German) working together at regional headquarters formed the sample. Results were gathered from three different angles – an overall interview report, a comparison with earlier results obtained by Ambos (2004) and a cultural analysis following Hofstede (2001).

The most important findings and implications shall be summarized hereafter.

- According to direction and intensity of knowledge flows both subsidiaries seemed to hold the strategic position of an “implementer”. However, a number of contradicting statements was obtained from interviewees suggesting that the full potential of both subsidiaries might not yet be tapped.
- In terms of value of knowledge stock, surprisingly strong differing self-perceptions were stated by subsidiaries. When taking into account subsidiary age, set-up mode and department size, this may provide an explanation of the results in this area, corroborating Gupta & Govindarajan’s (2000) calculation method for the value of knowledge stock.
- The consistency among participants from regional headquarters when it came to evaluating the knowledge stock at regional HQ compared to subsidiaries was remarkable, all refused to give a generalizing answer and pointed out the importance of distinguishing the type of knowledge involved. Furthermore, a clear line could be drawn from answers by all five interviewees concerning which activities are apparently local responsibility and which ones are centrally coordinated.
- A growing importance and use of electronic information systems was detected within the company since at the time of the study an IT system had been installed

recently while an electronic information system for communication within the MNC was to be implemented a week following the study.

- In terms of subsidiary autonomy and the role of HQ, it appeared that regional headquarters exhibited strong control on the subsidiaries. For example, no face-to-face contact was established among subsidiaries without the initiation of regional headquarters and a regional headquarters representative on-site. Furthermore, knowledge exchange on a pure horizontal basis seemed to be almost inexistent all together.
- Owing to the high diversity of national cultures that was present in the sample, it can be said that cultural differences did not seem to influence effectiveness of knowledge transfers significantly. Moreover, language differences were not perceived as problematic since everybody indicated to speak English.
- The predominance of knowledge management tools assigned to Nonaka's (1994) socialization stage was surprising since no exchange of explicit knowledge is involved at this stage. The MNC seems to be presented with the challenge to manage this predominance of tacit knowledge exchange. However, the company also seems to be aware of this, as the description of the workshop taking place at regional headquarters in Vienna indicated.
- A discontinuity of knowledge flows as suggested by Ambos & Ambos (2007), could be detected since participants mentioned at several occasions that frequency of knowledge transfer depended strongly on circumstances like the implementation of a new project or a change in personnel. Testing Ambos & Ambos' (2007) model of discontinuous knowledge flows would be an aspirational undertaking.
- Network position, hence embeddedness seemed to have a large impact on knowledge transfer owing to reoccurring statements by interviewees that some subsidiaries were less included in the knowledge sharing network. More testing in this area would be interesting, for example in terms of Monteiro et al.'s (2008) findings that perceived evaluation of a subunit has an impact on knowledge flows.

Taken together, a pattern of knowledge transfer at the MNC investigated could be derived as seen in Figure 4.

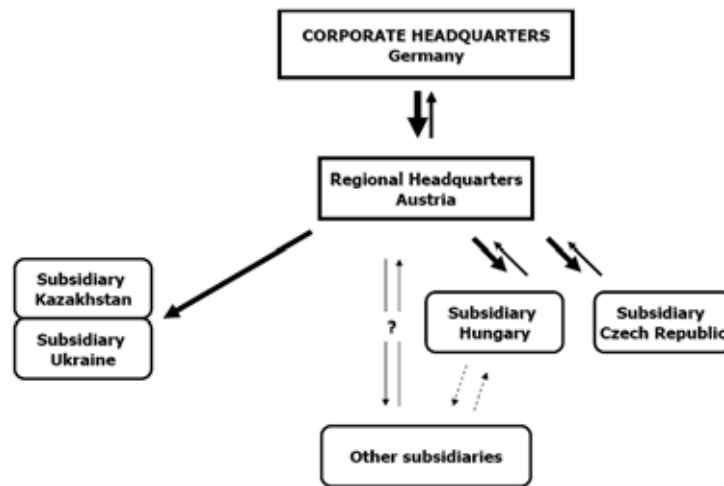


Figure 4: Knowledge transfer patterns

Knowledge flows predominantly from regional headquarters to subsidiaries, which is indicated by the thickness of arrows. Knowledge flows between corporate headquarters and regional headquarters were not focused upon in this case study, but since they were mentioned several times during the interviews, they are included in the model. Knowledge flows from subsidiaries to regional headquarters are significantly lower and between subsidiaries virtually inexistent. The dotted lined arrows address HU-sub's reference to "some" knowledge exchange on a horizontal level. The positioning of subsidiaries indicates "closeness" to regional headquarters since it was stated on several occasions that the Hungarian and Czech subsidiaries were more involved in knowledge exchanges than, for example, subsidiaries in Kazakhstan or Ukraine.

Limitations

Some important limitations need to be considered owing to the complexity of the field investigated and the used methods.

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

Further limitations include the fact that HR managers from Hungary and Czech Republic were on a "knowledge exchange" in Vienna at the time they were interviewed, suggesting an inclination towards positive answers of questions regarding knowledge transfers within the MNC. On the other hand, they could also be more aware of difficulties in an international transfer of knowledge, and able to assess their practices from a more critical perspective. Moreover, it should be noted that SK-RHQ and CZ-sub were able to

communicate using their mother tongues, although these were different languages (Czech and Slovak), they are sufficiently similar, so understanding was not an issue. Aside from that, these two respondents might perceive a smaller cultural distance, since both countries were unified as Czechoslovakia until 1993.

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

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

In conclusion, the selection of participants shall be mentioned, since all interviewees were selected by the contact person at the company, the HR Director of the CEE region. This was justified by the experience of interviewees (longest with the company and thus awareness of the issued under study), and their tight time schedule – since HR managers came to Vienna for a workshop, some of them had to rush to the airport right after the workshop was over to be in time for their international flights.

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