Knowledge transfer effectiveness in subsidiary initiative selling -

Unlocking the door to subsidiary initiative for managers operating in small developed markets

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ABSTRACT

Purpose

The purpose of this paper is to describe, explore and explain the influence of entrepreneurial knowledge transfer effectiveness in the subsidiary initiative selling process. Specifically the flow of tacit knowledge relating to specific entrepreneurial opportunities transferred from subsidiaries as part of an attempt to achieve approval, support or resources for subsidiary initiatives is under focus. The paper seeks to develop hypothesis regarding possible relationships between tacit knowledge transfer effectiveness and subsidiary initiative, and further the relationship regarding the utilization of tacit knowledge transfer mechanisms for this purpose.

Method

The study consists of qualitative research in the form of a multiple case study. Eight cases are presented, four are Swedish subsidiaries of international organizations and the other four are Swedish headquarters of international MNC’s. The study uses an ‘abductive’ approach, moving frequently between literature, theory and empirical findings in order to prepare hypotheses that can be used for quantitative testing. The study develops its final hypotheses by comparing hypotheses that can be derived from literature, and then confirming, rejecting or modifying them based on the empirical evidence collected.

Findings

The study finds that tacit knowledge transfer effectiveness is a significant determinant of subsidiary initiative. Despite this fact the study finds that subsidiary managers appear to underrate and in some cases disregard the importance of tacit knowledge transfer effectiveness in the initiative selling process. The fact that tacit knowledge transfer effectiveness is not actively addressed means that a significant opportunity for improvement probably exists in this area.

The study findings stand in contrast to the viewpoint held by the majority of the existing literature that although the transfer of tacit knowledge and the associated integrative and interactive communication mechanisms will have a positive direct effect on subsidiary initiative, they will as a secondary effect increase headquarters monitoring and interference. This interference is thought to decrease subsidiaries autonomy, entrepreneurial-ness and ultimately the level of subsidiary initiative. The study finds that the secondary effect is in fact in the opposite direction, being positively related to subsidiary initiative.

The study also finds that when examining subsidiaries located in small developed markets the most important entrepreneurial knowledge flow to consider may be between the subsidiary and its regional management structure, as opposed to the head office.

Originality/Value

The study combines existing literature with a multiple case study to create hypotheses specifically relating to tacit knowledge transfer effectiveness and its role as a determinant of subsidiary initiative. The study further focuses on the influence of tacit knowledge transfer mechanisms in relation to subsidiary initiative.

The study provides a classification of subsidiary initiatives which is most useful given the subject of this study and further creates a distinction between the discrete short term effects of a specific instance of knowledge transfer and the continuous process of knowledge transfer over time. The paper also brings forward the importance of the distinction between the conceptualization of the discrete specific process of initiative selling, and the cumulative effect of initiative selling over time, which along with other types of knowledge transfer and subsidiary promotion tactics I refer to as ‘subsidiary selling’.

Implications for research

The hypotheses developed in this paper are suitable to be tested in a large scale quantitative study.

The fact that managers do not seem to be actively trying to transfer tacit knowledge more effectively means that where active tacit entrepreneurial knowledge transfer strategy is found it is likely to have significant effect on subsidiary initiative level.

The challenge to the conventional assumptions that the presence and utilization level of tacit knowledge transfer mechanisms are likely to have a positive side effect on subsidiary initiative, as opposed to the negative side effect as predicted by contingency theory, is very significant.

The distinction between the short- and medium term effects, as put forward in this study, informs scholars that an academic study needs to both take into account the time frame over which the effects of knowledge transfer are studied as well as the negative feedback loop of the
knowledge transfer. The study also puts forward specific categories of subsidiary initiative, and suggests that these categories should be individually studied in future quantitative research.

**Implications for managers/practitioners**

Subsidiary Management should be aware that they could dramatically improve their entrepreneurial project approval rate by improving their tacit knowledge transfer effectiveness.

The finding regarding that increases in tacit knowledge effectiveness, lead to lower costs of future knowledge transfer, further leading to increased likelihood of headquarters attention and comfort, means that they have the opportunity to create a virtuous circle of increased knowledge transfer resulting in lower costs of knowledge transfer resulting in more willingness to engage in knowledge transfer.

The finding that the secondary effects of knowledge transfer of entrepreneurial opportunities have a further positive effect on subsidiary initiative means that there is very little downside to increasing the use of integrating and interactive communication mechanisms, and with significant upside this indicates managers should immediately attempt to increase the presence and utilization of these mechanisms.

The study indicates that it may be a prudent strategy for managers of subsidiaries in multinational corporations operating in small developed market’s to increase their tacit knowledge transfer effectiveness regarding entrepreneurial opportunities during the initiative selling process, as this rare skill may help them win the battle for internal resources such as attention and finance.
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1 INTRODUCTION

Entrepreneurship in the multinational corporation is a focus area that has received increasing attention in business literature over the last two and a half decades (e.g. Burgelman, 1983; Jones & Butler, 1992; Zahra & Covin, 1995, 2003; Zahra & Garvis, 2000; Shane & Venkataraman, 2000; Zahra et al, 2001, Dess, 2003; Mahnke et al 2007; Williams and Lee, 2011). The subject of subsidiary entrepreneurship and initiative is increasingly becoming important and prevalent in both academic research (e.g. Birkinshaw 1997; Lee & Williams, 2007; Williams and Lee 2009, 2011; Birkinshaw & Ridderstråle, 1999; Verbeke, 2007) and business practice.

Over the same two and a half decades MNC’s and their subsidiaries based in developed markets are increasingly pressurized to move from product and efficiency focused business models towards service, customer responsiveness and innovation based models due to cost competition from increasingly productive developing markets (Scott & Gibbons, 2009). In addition to the cost competition from developing nations, subsidiaries in developed markets face stiff internal competition for resources and headquarters attention (Birkinshaw et al, 2006; Ambos & Birkinshaw, 2010; Bouquet & Birkinshaw, 2008; Bouquet et al, 2009; Scott & Gibbons, 2009) from the rapidly growing subsidiary consumer and business markets of the BRIC countries as well as Mexico, South Korea, Turkey and other fast growing developing economies. This problem of operating in a relatively less attractive slow growing developed market is compounded when the subsidiary is located on a relatively small developed economy (e.g. all Scandinavian economies).

Apart from the aforementioned developing market threat, these relatively small developed markets are even further overshadowed by the larger developed markets of North America, Germany or the United Kingdom who compete aggressively for the scant residual attention left over after the BRIC markets have received there share. Given this dire description of the current situation, what will be the fate of these small developed market subsidiaries, and what actions can subsidiaries managers take to ensure survival and even thrive in these conditions?

Scott & Gibbons (2009) put forward that subsidiary managers seize the initiative, build information networks into their environment, develop subsidiary strategy and are creating a climate for subsidiary entrepreneurship. Subsidiary initiative has been highlighted as a key manifestation of subsidiary entrepreneurship (Birkinshaw, 1997).

Antecedents and factors influencing subsidiary entrepreneurship and initiative have been examined (Birkinshaw, 1999; Williams and Lee, 2009). Influential factors including subsidiary autonomy, subsidiary specific competence, bargaining power, track record, and characteristics of MNC structure, strategy and control mechanisms have been put forward (among many others).

A less well studied influencing factor is the initiative selling effectiveness of the subsidiary management. The success of initiative selling has been noted to depend on three variables. Firstly the subsidiary management must have issue selling skills (Gammelgard, 2009), secondly they need to have headquarters attention (using subsidiary voice- Bouquet & Birkinshaw, 2008) and finally they need to transfer the knowledge they have of the business opportunity effectively to head-quarters (Williams & Lee, 2011; Gammelgard, 2009). Transferring the knowledge effectively enables headquarters to understand and evaluate the opportunity with enough certainty to give approval to commit resources or provide support to the initiative. Of the three factors, the effectiveness of the information transfer of the specific knowledge regarding the business opportunity (the business case) and its effect on subsidiary initiative has received scant attention in the business literature. The methods and mechanisms (knowledge transfer or communication mechanisms) to increase the transfer effectiveness of entrepreneurial knowledge as part of the initiative selling process have received even less focus.

In order to transfer the knowledge, sell the initiative, or gain headquarters attention various communication and integration mechanism need to be utilised. These mechanisms can be used in different mixes, to different degrees and in different ways to accomplish the knowledge transfer, initiative selling or attention seeking goals. The transfer of knowledge regarding specific entrepreneurial opportunities happens in parallel and as part of the general ‘issue selling (Dutton et al, 1997), lobbying (Gammelgard, 2009), and attention seeking activities of subsidiary managers (Gammelgard, 2009; Birkinshaw et al, 2006), and all these activities share common transfer mechanisms.

Entrepreneurial knowledge that’s exists within the MNC is often conceptualized as being highly tacit (Johanson & Vahlne, 1997, 2009; Williams and Lee, 2011) and therefore very difficult to transfer especially when using primarily explicit knowledge transfer mechanisms (i.e. where the knowledge needs to be codified before transferred). It is very challenging for the subsidiary manager to successfully transfer the knowledge with the required quality and quantity in order for headquarters is able to see, understand and believe in the proposed business opportunity with high levels of clarity, certainty and comfort.

Subsidiaries have the problem that they need to transfer knowledge regarding entrepreneurial opportunities very effectively as part of the initiative selling process to headquarters’ in order to receive permission, finance or support, despite the fact that a large component of this
knowledge is highly tacit and this very difficult to transfer effectively. The subsidiary needs to find a way to transfer this knowledge more effectively and thus reduce uncertainty. Subsidiary in small developed markets in particular need to transfer this information extremely effectively in order to win the battle for internal resources and attention from head office.

Headquarters have a related but distinct problem, in that they would like to have increased return on entrepreneurship as a result of better decisions regarding subsidiary initiative. Many international headquarters would also like an increased level of entrepreneurship, but only if they were able to increase the quality and certainty of the business ventures, and thus decrease the risk.

In both cases above (headquarters and subsidiary,) the key to solving the problem is to transfer knowledge regarding entrepreneurial opportunities more effectively and efficiently. The general tactics and methods of operation that subsidiaries that operate in smaller well developed markets has received some attention (albeit not extensive), but the role of knowledge transfer effectiveness (specifically with regard to the specific business opportunity knowledge used in the initiative selling process) and the use of tacit knowledge transfer mechanisms as described above with regard to these subsidiary types has not.

My research addresses this gap in the literature by exploring the role and importance of tacit knowledge transfer effectiveness regarding information describing entrepreneurial opportunities that exist in the above described subsidiaries. The paper also explores the possible role and influence of the various knowledge transfer mechanisms in the subsidiary initiative process. While there are more significant variables that determine the extent of subsidiary initiative, almost all of these are not within the control of the subsidiary management (e.g. overall MNC strategy, level of formal decision making centralization etc.), or take many months or years to change (e.g. subsidiary/management track record, specific capabilities). From the MNC headquarters point of view, better knowledge transfer of entrepreneurial opportunities is also something they can immediately attempt to influence, whether they want to encourage more, or simply have a better quality (ROEnt) of subsidiary entrepreneurship. Other methods that could be employed to improve subsidiary initiative can have significant negative effects, for example giving greater autonomy can lead to lack of coordination (and associated efficiency) or as already discussed take a very long time to implement (and be partially outside of the control of management). However improving the quality of knowledge transfer has very little drawback, if it can be done without dramatically increasing knowledge processing time.

The paper is structured according to the following order. In the first section the purpose of the paper is outlined. The second section consists of a literature review and conceptual framework development. The third section sets out the methodology used for the study. The fourth section puts forward the empirical findings, and the fifth section analyses these findings, reflecting on the meaning and comparing the findings to the hypothesis earlier developed from existing literature. After the analysis section the paper presents discussion section, this section summarizes modified/new hypothesis and outlines implications of the study for theory and practice. The paper ends with a conclusion summarizing the main ideas of the paper.
2 STUDY PURPOSE

Primary objective

This study combines case study research findings with theoretical propositions developed from a review of existing literature to develop a final set of hypothesis that can be used for quantitative testing regarding potential relationships between:

› Knowledge transfer effectiveness (as part of the initiative selling process) and subsidiary initiative
› Tacit Knowledge transfer effectiveness (as part of the initiative selling process), the choice and usage of knowledge transfer (communication) mechanisms and subsidiary initiative

Secondary supporting objectives

Secondary objectives that support the main objective of the study, but have independent value include

› Describe and explore the process of entrepreneurial initiative approval in subsidiaries operating in small developed markets, noting challenges, obstacles or frustrations
› Describe and explore how specific knowledge regarding entrepreneurial opportunities is transferred from the subsidiary local markets where it originates towards MNC headquarters, with specific focus on small developed markets
› Describe and explore management perceptions of the importance of knowledge transfer effectiveness (and tacit knowledge transfer effectiveness), and the impact of using different knowledge transfer mechanisms on effectiveness.

Although the study focuses on subsidiaries that operate in small developed markets, there is no reason to assume that the hypothesis are not valid for all subsidiaries, and therefore the main purpose of this paper and the hypothesis to follow are written without explicit reference specifically to this subsidiary type.
3 CONCEPTUAL FRAMEWORK AND LITERATURE REVIEW

3.1 Literature review - method and structure

The literature review (and study) was conducted using a process described as systematic combining or ‘abductive’ research (Dubois & Gadde, 2002). Underpinning this technique is the frequent adjustment, updating and matching of the theoretical framework and literature to each other as empirical evidence is compiled and analyzed (Dubois & Gadde, 2002).

The literature search was conducted by first searching electronic databases (primarily Business Source Premier, Emerald, J-store and Google scholar) using keywords relating to the topic under investigation. Thereafter specific journals were search (list provided by Uppsala University International Business department lecturers). The journals put forward were search first by keyword, and also chronologically for relevant articles. Once these journals were exhausted others were chosen as they proved relevant. As a list of relevant articles was developed and assessed an initial conceptual framework was developed. After this initial development the method of literature search moved towards a snowball method, where specific articles were found based on references in other articles being studied. In parallel to this method ongoing keyword searches based on the empirical data being assessed were carried out.

This literature review consists of five sections, and ends with a summary of hypothesis that can be derived from the literature covered. The first section assesses literature relating to corporate entrepreneurship, subsidiary entrepreneurship and subsidiary initiative. The second section assess literature relating to issue selling, attention seeking, initiative selling and the role of knowledge transfer in these processes. The third section assesses literature regarding the different classifications of knowledge type and the impact of each type on the knowledge transfer process. The fourth section assesses the nature of entrepreneurial knowledge and develops the argument that it is highly tacit. The fifth section assesses literature regarding knowledge transfer (and in particular tacit knowledge) as well as entrepreneurial knowledge transfer in the MNC in particular. The fifth sections sets out the hypotheses’ developed from literature.

3.2 Corporate entrepreneurship and subsidiary initiative

This section of the literature review assesses the definitions and descriptions of the process of subsidiary initiative. It also highlights the definition taken in this paper, and the implications of the choice of this definition. The section also assesses the influencers/antecedents of subsidiary initiative with specific focus on knowledge transfer. The categories of subsidiary initiative are also discussed, and the effects on determinants are described.

3.2.1 Definition and process

Corporate entrepreneurship, subsidiary entrepreneurship and subsidiary initiative are three overlapping yet distinct terms which are often used interchangeably in the literature, creating confusion regarding their definitions. These definitions differ across the academic landscape, and these differences can have significant influence of the predicted relationships and detection of their existence or measurement of their ‘level’.

Entrepreneurship in the multinational corporation is generally referred to as the identification, evaluation and exploitation of business opportunities (Williams and Lee, 2011; Birkinshaw, 1997). This can be contrasted against ‘normal managerial business growth’ which refers to simply controlling and implementing the exploitation of existing operations.

Corporate entrepreneurship is referred to as the creation of novel business opportunities within the existing organization (Birkinshaw, 1997; Verbeke 2007) but can also be referred to as the renewal or transformation of the entire organization (Birkinshaw, 1997; Verbeke, 2007). Verbeke (2007) and Birkinshaw (1997, 1999) emphasizes the importance of identifying the sub categories of corporate venturing or strategic renewal (this is important as the determinants of the two are often different). Williams and Lee (2011) describe headquarters driven corporate entrepreneurship as the role of the MNC top management teams, as they set new strategy in response to changes in the MNC environment. They distinguish this from subsidiary driven entrepreneurship, which they explain involves employees in geographically remotes units pursuing initiatives perceived by subsidiary entrepreneurs as worthwhile to the subsidiary.

The focus of the literature has moved from MNC headquarters as the drivers of corporate entrepreneurship (Zahra, 2001; Butler & Jones, 1992; Burgelman, 1983) to subsidiaries (Ambos et al, 2010; Birkinshaw 1997, 1999; Scott & Gibbons, 2009; Dimitratos, 2007; Lee & Williams; 2007, 2009, 2011). This view has developed in part due to the gradual change in conceptualization of the MNC from a headquarters controlled structure (as favored by contingency theory) to a dispersed network of interdependent units (Ghoshal & Nohria 1989, Forsgren, Holm & Johanson, 2005). Subsidiary entrepreneurship refers specifically to corporate entrepreneurship that is occurring in and driven by the
subsidiaries of the MNC. Subsidiary entrepreneurship is not clearly defined in the current business literature with regards to its relationship to corporate entrepreneurship and it can be questioned whether it is a compliment, substitute or independent variable (Verbeke, 2007).

Birkinshaw (1999) describes subsidiary initiative as an undertaking that is discrete and advances a new way for an organization to use or expand its resources. One could take the view that subsidiary initiative is a concrete manifestation of subsidiary entrepreneurship. Subsidiary initiative has been described by Verbeke (2007, who cites Birkinshaw, 1997) as strategic decisions that the subsidiary makes to alter or expand its role. The term’s subsidiary entrepreneurship and initiative are sometimes used as synonyms.

To conceptualize subsidiary initiative clearly in relation to subsidiary entrepreneurship the following examples can be used. Let’s take example where a corporation orders all its subsidiaries to be highly innovative and entrepreneurial, and to undertake large investments to penetrate entirely new market segments. Assume a particular subsidiary ignores this order, and instead disregards new opportunities and focuses all its attention on efficiency improvements and profit taking from its current segments and products, divesting nontraditional markets and products. Is this an example of subsidiary initiative and entrepreneurship?

According to the definitions used on this paper, in this example it cannot be defined as subsidiary entrepreneurship as although there are discrete identifiable actions taken in the subsidiary counter to the wishes of headquarters, the subsidiaries strategy is to ignore new opportunities that arise in its market. This paper takes the view that subsidiary initiative is a concrete visible manifestation of subsidiary entrepreneurship. For subsidiary initiative to be regarded as having taken place that specific activity needs to be based on an opportunity discovered and driven by subsidiary management and also be entrepreneurial in nature.

Subsidiary initiative needs to be differentiated from the concept of autonomy. Autonomy is often referred to as a determinant of subsidiary initiative, but the terms are sometimes conceptualized as synonyms. To understand the distinction between subsidiary autonomy and subsidiary initiative we need to consider another example. Assume a subsidiary has absolute official and actual autonomy over all its management decisions, with the only link to headquarters the legal ownership of its shares. Are all its actions regarded as instances of subsidiary initiative assuming that they are entrepreneurial? If a subsidiary on the other hand is extremely entrepreneurial, but only as a result of management decisions, with the only link to headquarters the legal ownership of its shares. Are all its actions regarded as instances of subsidiary initiative we need to consider another example. Assume a subsidiary has absolute official and actual autonomy over all its companies to acquire, or ordered into specific segments based on headquarters decision making. This tends more toward corporate entrepreneurship. The key point to understand is that in this paper subsidiary initiative does not need to be in contrast to headquarters general whishes or desires.

3.2.2 Subsidiary initiative categories

Scholars (e.g. Verbeke, 2007; Birkinshaw 1999, 1997; Williams & Lee, 2011) have suggested that the different types or categories of initiative have different antecedents, determinants and influencers. This section of the study assesses the various categorizations put forward by various authors, and presents a classification system considered most useful for this study, given its purpose. Williams and Lee (2011) classify subsidiary initiatives as either being internal or external. Internal in there classification refers existing organizational structures and resources, while external refers to the point of entrepreneurial focus being outside the organizational boundary (e.g. alliances or acquisitions). Birkinshaw (1997, 1999) provides an alternative classification system, where initiatives are classified as internal if they refer to looking for opportunities within the borders of the MNC, or external if they are focused on opportunities on the external market. External opportunities are then further categories as either being local market focused, or global market focused. Verbeke (2007) categorizes subsidiary initiative as either subsidiary venturing or subsidiary renewal. Birkinshaw (1997) notes that initiatives can be sanctioned or non-sanctioned. Verbeke (2007) explains that where an entire subsidiary engages in entrepreneurial action it is referred to as ‘subsidiary renewal’ and where new businesses are created within a subsidiary as ‘subsidiary venturing’. Birkinshaw (1997) makes a distinction between focused corporate entrepreneurship (corporate venturing) which is based on the premise that management and entrepreneurship are fundamentally different processes, and dispersed entrepreneurship (including subsidiary initiative).

This study puts forward the categories of ‘approval based’ initiatives, ‘non discussed’ initiatives, and ‘free mandate’ initiatives. Approval based initiatives actively seek approval from headquarters and are largely dependent on headquarters approval, investment, resources or support. Non discussed initiatives on the other hand make no effort to be approved by headquarters, and are to some extent deliberately hidden from headquarters until they have traction and initial success. On the one extreme these non-discussed initiatives are characterized where
managers simply don’t make an effort to seek approval from headquarters, not wanting to waste headquarters time before there is some indication of market interest and real opportunity. On the other extreme, high levels of effort go in to try deceiving headquarters of the pursuit of these endeavors, knowing that they will otherwise be discouraged. If these initiatives fail they are hidden in the subsidiary expenses, and if they succeed are then unveiled, since when financial success has been achieved, approval will be very easy to achieve based on the successful results. The final category that I call ‘free mandate’ initiatives are put forward by subsidiaries that have clear autonomy to undertake subsidiary initiative without asking permission. Knowledge transfer may appear to have little importance in these circumstances, but these subsidiaries still can benefit from support in terms of resources or finances, and having champions of the initiatives at head office will help cushion the career blow for managers who have driven failed initiatives. There is then still a knowledge transfer effort and an effect with regard to ‘free mandate’ initiatives, albeit a weaker relationship than to approval based initiatives. Knowledge transfer effectiveness and the use of different knowledge transfer mechanisms are likely to affect approval based initiatives the most, will be only weakly related to free mandate initiatives, and may have an inverse relationship to non-discussed (secret) initiatives.

![Figure 1 – Categories of subsidiary initiatives and the effects of knowledge transfer effectiveness](image)

It is important to note that projects can change category (there are conceptualized as states or stages by Birkinshaw), and an initiative that begins life as a ‘non discussed’ project maybe become an ‘approval’ based initiative later in its life. One could choose to define an initiative based on how it started life, or alternatively in terms of its current status. In this study initiatives are defined according to their current status.

3.2.3 Knowledge transfer as a determinant of subsidiary initiative

To understand the role that knowledge transfer effectiveness may have in the subsidiary initiative process one needs to assess the determinants of subsidiary initiative already highlighted in the literature to understand where knowledge transfer fits in. This section assesses the literature linking knowledge transfer effectiveness and subsidiary initiatives.

Birkinshaw (1999) notes corporate-subsidiary communication along with subsidiary credibility and organizational decision making centralization as determinants if subsidiary initiative. Verbeke (2007) notes that Birkinshaw (1998) adds internal resource competition and ethnocentrism of headquarters management as additional variables of the corporate context. It should be noted that corporate-subsidiary communication is not a synonym for knowledge transfer effectiveness, but is a related concept (a determinant of tacit knowledge transfer). Birkinshaw (1997, 1999) notes that corporate-subsidiary communication may have differing effects, depending on the type of initiative. Birkinshaw (1997) notes that in local and global initiatives communication between the subsidiary and HQ can be negatively related to initiative when it occurs in the formative stage. Verbeke (2007) believes that communication will have a positive effect on subsidiary renewal activities, but a negative effect on corporate venturing activities. Verbeke further notes that Birkinshaw (1999) finds a weak positive relationship between communication and initiatives. Verbeke (2007) notes that Ghoshal and Bartlett (1998) believe extensive communication with head office contribute to effective transfer of knowledge and innovations developed from head office. Although this paper is interested in the effectiveness of knowledge transfer it is not interested in the knowledge and innovations that flow from head office to the subsidiaries but rather on the knowledge of entrepreneurial opportunities and information regarding the local/global subsidiary market that flow from the subsidiary to headquarters as part of the initiative selling process. The type of knowledge transfer is a sub component of what is referred to as reverse knowledge transfer (Young et al, 2008; Edwards et al, 2005, Ambos et al, 2006; Rabbiosi, 2011).

Verbeke (2007) introduces an interesting dynamic, in that headquarters may be highly motivated to address strategic renewal activities, but may be predisposed to be likely to react negatively to subsidiary venturing activities. Although this argument has sound logic, it does not take
into account that knowledge transfer from the subsidiary to HQ regarding business opportunities may be a key determinant of the recognition by HQ of the need for subsidiary renewal activities. Therefore when viewed in isolation a single instance of knowledge transfer regarding a subsidiary initiative opportunity may decrease the likelihood of that initiative going forward. However when viewed over a period of time numerous communications may make HQ aware of opportunities in the subsidiary business environment that need to be made a strategic priority for the subsidiary and thus increase subsidiary initiative.

Verbeke (2007) synthesizes Birkinshaw’s earlier work and puts forward specialized resources, strong leadership, entrepreneurial culture and subsidiary-HQ relationships as part of the subsidiary level determinants. Although none of these variables appears to be directly related to knowledge transfer or communication I argue that positive relationships between headquarters and the subsidiary can be regarded as a structural mechanism enabling the transfer of tacit knowledge. Verbeke (2007) notes that subsidiary-headquarter relationships however have not been empirically tested as a determinant of subsidiary initiative.

Williams and Lee (2011) point to efficient knowledge coordination between contexts as a key variable affecting the progress of entrepreneurial initiatives through the MNC. Birkinshaw (1999) explains that a high level of distinct competence enhances subsidiary entrepreneurship, and that a high level of decision centralization, a low level subsidiary competence, a low level of subsidiary credibility and a low level of corporate subsidiary communication. Williams and Lee’s findings in this case seem to indirectly contradict Birkinshaw’s, as low levels of communication are likely to be negatively correlated to efficiency of knowledge coordination. Birkinshaw then seems to find (or assume) a negative relationship between knowledge transfer effectiveness and initiative. Birkinshaw (1999) also finds that over time subsidiary initiative leads to higher level of distinctive capabilities, head office openness, subsidiary credibility and corporate subsidiary communication thus leading to a virtuous circle of initiative taking. Birkinshaw’s findings are perhaps best described as ‘mixed’ on the issue, he however does seem to believe that the increased monitoring effect associated with subsidiary initiative will have a negative effect on initiative.

Williams and Lee (2011) add to this list of determinants the concept of political hierarchy (which they define as mechanisms by which subsidiaries enhance their power base). Other determinates of subsidiary entrepreneurship have been noted as entrepreneurial orientation (Williams & Lee, 2009) and entrepreneurial culture (Boojihawon et al, 2007). Although factors influencing subsidiary initiative have been clearly been well examined, the sub components of subsidiary initiative (e.g. project approval ratio, number of proposed initiatives, number of non-discussed initiatives) and the factors specifically affecting these sub variables have not been extensively theorized or tested. The subcomponents of subsidiary initiatives are very useful when evaluating the various effects of knowledge transfer and are illustrated below in figure 2.

From the above section of the literature review it is clear that communication and knowledge transfer have been linked by leading authors to subsidiary initiative. The link have not been made in terms of the specific perspective of knowledge transfer studied in this paper, but the general link is somewhat supportive of the premise that tacit knowledge transfer effectiveness can effect subsidiary initiative. This knowledge transfer has been classified as part of the process of issue selling and in particular the process of initiative selling (Gammelgard, 2009), but has been overlooked by others (Dutton & Ashford, 1993).
3.3 Initiative selling, subsidiary selling and knowledge transfer

This section assesses the literature regarding issue selling and attention seeking, and examines the role of knowledge transfer in these processes. The conceptualization of continuous knowledge transfer is differentiated from a discrete instance of knowledge transfer. It is equally important to distinguish between the discrete process of initiative selling and the continuous process of initiative selling (which I call subsidiary selling, although subsidiary selling is perhaps a broader term) and the distinction is made clear in this section. The influences of initiative selling are brought forward, with a specific emphasis on knowledge transfer.

Knowledge transfer, initiative selling and attention seeking are intertwined in a complex web of causal, influencing, moderating and feedback relationships making the concepts very difficult to separate from one another, and further it appears when analyzed separately with regard to influence in the subsidiary initiative process lose significant meaning and value.

It is noted that it is important for subsidiaries to be able to effectively ‘sell initiatives’ to corporate headquarters and Gammelgard (2009) highlights the need to effectively transfer entrepreneurial knowledge, to gain attention for the issue, and to use networks for the purpose of lobbying the appropriate powers to support the issue. Gammelgard (2009) explains that issue-selling strategies involve a number of activities that aim to make the parent company understand an issue (i.e. knowledge transfer), attract parent company attention to the issue and lobby for an issue at the parent company. Gammelgard (2009) explains that with regard to making the parent company understand an issue the concept of information asymmetry needs to be understood. This is highlighted excellently by Mahnke (2007) who explains that information asymmetry leads to uncertainty in the MNC entrepreneurial opportunity decision making process (communicative, value and behavioral uncertainty).

Gammelgard (2009) points out the one can use codification or personalization strategies for knowledge sharing, and he further highlights the importance of face to face communication to reveal tacit knowledge regarding the host country environment. With regard to gaining attention strategies that can be employed Gammelgard (2009) includes strategic framing of issues, emphasizing the subsidiaries importance and engaging in image management. Gammelgard (2009) also highlights the importance of personal and professional lobbying through contact networks, as part of initiative selling. These tactics are along the same lines as ‘issue packaging’ and the ‘selling process’ put forward by Dutton (1993).

In this study I define initiative selling as the broad term used to describe the process whereby subsidiary managers engage with head office to try gain support, investment, attention, resources or permission for their specific entrepreneurial endeavors. I break down initiative selling into two sub components; ‘knowledge transfer’ and ‘selling tactics’. Selling tactics under my definition includes all non-knowledge transfer related activities. These are the activities that often are not ideal for value maximization in the MNC, including lobbying, information concealment, emotive pressure, manipulation of social ties, trickery, coercion etc. The activities however do not necessarily need to lead to negative consequences nor be dishonest.

In support of the discrete practice of initiative selling lies the on-going supporting practice of subsidiary selling. This process is continuous and comprises of an attempt to gain general positive attention (Birkinshaw & Bouquet, 2008; Ambos & Birkinshaw, 2010; Birkinshaw et al 2009) by developing professional and social networks, highlighting subsidiary performance or capability and transferring market data on an on-going basis to keep head-quarters ‘connected’ to the subsidiary market. This type of behavior is described by Bouquet & Birkinshaw (2008) who describe how subsidiaries gain attention from headquarters and note that although attention decisions are partly governed by the subsidiary units position within a corporate system, the subsidiary also has a ‘voice’ that it can use to attract attention. Bouquet & Birkinshaw (2008) further highlight the important of initiative taking and profile building in utilizing this voice.

This continuous subsidiary selling process consists of an on-going struggle to gain positive attention and focus and is conceptualized in this study as the continues transfer of market data (opportunities, strategic plans) and financial data, the building of social and professional networks and the constant marketing of the subsidiary to head office (image management, drawing attention to accomplishments etc.). Continuous subsidiary selling includes initiative selling as a sub component. Initiative selling is a specific instance of issue selling, which has received some attention in the literature (e.g. Dutton & Ashford, 1993; Dutton et al, 2001). Dutton et al (2001) examines manager’s explicit theories for directing the attention of top management. Dutton (2001, p 716) defines issue selling as “the process by which individuals affect others’ attention to and understanding of the events, developments, and trends that have implications for organizational performance”. Dutton explains that issue selling shapes organizations investment of time and attention, and therefor ultimately actions. Dutton et al (2001) describes issue sellers as people who use a ‘repertoire of moves’ to sell issues and affect the attention of top management. Dutton et al (2001) notes that these moves include packaging, involvement, choice of channels and formality. Transferring knowledge effectively appears to not be regarded as ‘move’ by Dutton. Williams and Lee (2011) note that subsidiaries develop proposals that they submit to global or regional headquarters in an attempt to secure approval or funding, and that subsidiary may resort to political game playing to build a power base around the idea.
It is evident from the above literature and argumentation that knowledge transfer is key component of the initiative selling process. The distinction between the ongoing process of subsidiary selling, and the discrete process of initiative selling is discussed below.

3.3.1 Continuous subsidiary versus discrete initiative selling and knowledge transfer

Initiative selling and subsidiary selling are of course highly interrelated. Initiative selling is one of the most important components (or instances) of subsidiary selling, but subsidiary selling also includes efforts such as the marketing of subsidiary management ability to head office and attempts to ensure that head office understands the importance of the subsidiary to the long term strategy of the MNC. The most important distinction between the two is that initiative selling in this study refers to specific actions to sell specific entrepreneurial initiatives, whereas subsidiary selling refers an ongoing continuous set of actions guided by overarching strategy to try to lift the profile and expand the role of the subsidiary.

Clearly grasping the distinction between discrete specific actions and continuous actions that occur (and have a cumulative effect) is essential in order to develop a firm understanding of the subject of knowledge transfer and the effects of knowledge transfer mechanisms. Explicit knowledge transfer for example has an instantaneous explicit knowledge transfer effect, but also a cumulative effect that assists in the transfer of tacit knowledge. When one looks at the effect of explicit knowledge transfer, if one only focuses on the discrete effect associated with a specific instance of explicit knowledge transfer, one will miss the gradual transfer of tacit knowledge over time. Over long periods of time many instances of explicit knowledge transfer between a subsidiary and headquarters create a transfer of tacit knowledge as a picture of the subsidiary market is etched in the mind of headquarters (individual managers mind, and to some extent in the organizations conscious), against which future business proposals can be assessed. Figure three below shows this effect of continuous knowledge transfer (the type that is associated with ongoing initiative and subsidiary selling). When one examines the relationships between knowledge transfer and subsidiary initiative one must then distinguish whether the discrete effect, the continuous effect, or both is under consideration. This cumulative effect is not only important with regard to knowledge transfer, but also with regard to potential feedback/secondary effects (E.g. a potential gradual increase in head office positive/negative attention and monitoring).

![Figure 3 - Effect of various instances of explicit knowledge transfer over time](image-url)

3.4 Knowledge transfer, knowledge types, knowledge transfer effectiveness, knowledge transfer mechanisms and tacit knowledge

This section begins with an explanation of tacit and explicit knowledge. This section then assesses the methods of knowledge transfer and how this is linked to the type of knowledge under question. Measures of knowledge transfer effectiveness are assessed, and knowledge transfer mechanisms are listed and categorized. The ability to transfer tacit knowledge is also discussed. This sections ends with a classification system for knowledge transfer mechanisms.
3.4.1 Knowledge transfer and knowledge types

There is debate in both practice and academia regarding how much and exactly what details headquarters needs to know regarding business opportunities in subsidiary markets. Some even argue that under certain circumstances it is impossible to transfer entrepreneurial knowledge (which is regarded as highly tacit) from subsidiaries to headquarters in a way that can be used in any way for decision making (Ciabuschi, 2011).

Knowledge is usually regarded in academic literature as either tacit or explicit. Explicit knowledge is widely regarded as easily codifiable and thus highly transferable in written form (E.g. Emails, business plans, word documents, presentations). Tacit knowledge one the other hand is often conceptualized as a type of knowledge that can only be gained from direct experience (Nonaka & Konno, 1998; Mooradian, 2005). There is discussion in the academic literature as to whether in fact tacit and explicit knowledge are essentially different kinds of knowledge or if all knowledge can instead be conceptualized along a spectrum of tacitness and explicitness. .

There is further disagreement regarding the definition of tacit knowledge. Different interpretations include the distinctions between focal and supporting knowledge, the ability to codify the knowledge, the ability to transfer (and teach) the knowledge, the complexity of the knowledge and the specialization of the knowledge (Bennet & Bennet, 2008; Mooradian, 2005; Nonaka & Konno, 2008; Haldin-Herrgard, 2000; Cavusgil et a, 2003; Harlow, 2008; McAdam et al, 2008). McAdam et al (2008) puts forward below regarding tacit knowledge descriptions in the literature.

Frequently the term is used to describe knowledge that is able to be codified, articulated and transferred between individuals, but is kept hidden for some reason. An alternative view is that tacit knowledge is knowledge that can never be articulated. If one accepts this definition then knowledge that is currently not codified but could be if desired, should be regarded as explicit knowledge, not tacit. Bennet & Bennet (2008) help to clear up the confusion by categorizing a third knowledge type that they label as implicit knowledge. Bennet & Bennet (2008) explain this knowledge type, while not immediately or easily accessible, can be uncovered when triggered. The trigger may occur in debate, dialogue or discussion (or even at times reflective thought). Bennet & Bennet (2008) explain it is knowledge that one is not currently aware they have, but can be discovered and codified.

I feel however the most useful categorization of knowledge is in terms of its effect on the knowledge management processes of generation, storage, acquisition, transfer and utilization. By defining knowledge in terms of its knowledge management process effect it immediately advises a user how best to handle the knowledge. Since this study is interested primarily in the transfer of knowledge I will categories knowledge according to its impact of the knowledge transfer process and thus knowledge transfer mechanism. I then will modify Bennet and Bennett’s (2008) categories of knowledge and create the categories explicit, implicit-tacit and pure-tacit (when I use the term tacit in this paper I refer to both the implicit-tacit and pure-tacit categories). The normal category of tacit knowledge in the literature is thus split into the subcategories of tacit and implicit.

Explicit knowledge in this paper refers to knowledge that is highly codifiable and can thus be transferred effectively via written methods (e.g. email, business proposals, excel spread sheets, IT systems) or via non interactive verbal communication (e.g. pre-recorded web lectures or podcasts).
Implicit-tacit knowledge in this paper refers to knowledge that is not currently within the consciousness or accessibility of the user but can be triggered by interactive questioning and debate. This knowledge is then most effectively transferred via face to face interactive debate and discussion, and one could argue rich and free flowing communication is most suitable. Formal and informal business meetings are good transfer mechanisms for this sort of knowledge. A potential superior mechanism is non-hostile face to face debate. This knowledge can also be transferred via interactive video conference, telephone, and social events.

Pure-tacit knowledge, as distinct from implicit and explicit knowledge, refers to knowledge that is cannot be effectively written down (codified) and is also almost impossible to verbalize to any useful extent and therefore cannot be transferred effectively by written or verbal communication (even interactive verbal). To transfer this knowledge one needs to either show another party first hand or have them discover themselves under the transferor’s direction. It can however under my definition be transferred in very small pieces over a long period of time via the methods already described.

For example a manager may slowly learn tacit knowledge about a subsidiary market through a close relationship with the subsidiary manager including many years of emails, phones calls, face to face meetings, monthly reports and possibly some visits to the host county. This constant, open and rich communication will gradually build a shared mental understanding regarding the subsidiary market between the minds of the subsidiary manager and the head office manager, and also build a mental map of the subsidiary market in the mind of the head office manager.

In order for this to occur easily however some sort of ‘structurally integrative mechanism’ is required, such as a long term close reporting relationship, a close friendship between head quarters manager and subsidiary manager, dense social connections between headquarters and a subsidiary, common networks or work teams that managers from each market belong to or the use of temporary or permanent head office staff placement in the subsidiary or vice versa.

The knowledge types are displayed in figure 5 below.

![Figure 5 – Knowledge types](image)

Different types of knowledge are best transferred using different knowledge transfer mechanisms, these mechanisms are described below.

### 3.4.2 Knowledge transfer mechanisms

In my study I define knowledge transfer as being either explicit, implicit-tacit, or pure tacit (or bypassed, where knowledge transfer becomes unnecessary) and the associated grouping of communication or integrative mechanisms I call *codified communication mechanisms* (e.g. business plan), *interactive communication mechanisms* (e.g. meeting with discussion) or *integrative mechanisms* (e.g. social or professional relationship, head office staff working in subsidiary). Where the communication or integrative mechanism is used to transfer continuous data over time, it can act both as explicit transfer and tacit transfer mechanism (e.g. sum of emails, business plans, market data over the period of 2 years) forming a shared mental map of a particular business market. I make this distinction to clear up confusion between the description of the mechanism, and the type of knowledge transferred over the mechanism which can vary depending on the period under consideration.

Figure 6 below shows a matrix displaying the relationship between the communication/integrative mechanism, and whether one looks at the instance of knowledge transfer or the continuous transfer over a significant period of time.
Communication and knowledge transfer mechanisms

<table>
<thead>
<tr>
<th>Type</th>
<th>Discrete Usage / Short term view</th>
<th>Continuous Usage / Medium term view</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Codified communication mechanism</strong></td>
<td>Explicit knowledge</td>
<td>Explicit, implicit-tacit, pure-tacit</td>
</tr>
<tr>
<td><strong>Interactive communication mechanism</strong></td>
<td>Explicit and implicit-tacit</td>
<td>Implicit-tacit, explicit, pure-tacit</td>
</tr>
<tr>
<td><strong>Integrative mechanism</strong></td>
<td>Pure-tacit</td>
<td>Pure-tacit</td>
</tr>
</tbody>
</table>

Figure 6 – Communication and knowledge transfer mechanisms

It is important to note that integrative mechanisms do not represent communication or knowledge transfer in their own right, they are better through of as enablers of pure-tacit knowledge transfer in that they represent the sum of many instances of codified and interactive knowledge transfer instances (or the existence of another type of structurally integrative mechanism, such as a personal friendship), and enable increased richness, emotion, honest and expression with regard to these instances. A social relationship itself does not transfer information, but enables the two managers sharing this relationship to exchange many emails, phone calls, have many formal and informal meetings, speak very honestly and openly, and possess shared mental models of the environment due to this rich and frequent exchange.

As indicated in previous discussion, tacit knowledge needs to be either externalized and codified before transferring (implicit-tacit), or transferred as tacit knowledge in the case of pure-tacit (socialization). For a subsidiary to transfer tacit knowledge to headquarters there are numerous mechanism that can be employed. In terms of integrating mechanisms Inkpen & Dinur (1998) discuss ‘knowledge connections’ as formal and informal relationships between people. They point out knowledge transfer processes (mechanisms) of technology sharing; inter (intra) organizational interaction, personnel transfer and strategic interaction. O’Donnell (2000) discusses the use of monitoring, vertical and lateral integrative mechanisms. Williams & Lee (2011) explain that when the entrepreneurship process is characterized by bottom up and unpredictable discovery from remote location, then socialization mechanisms are often used to transfer ideas and win approval. I categorize these ‘structural or social link’ mechanisms as integrative mechanisms, these enable the flow of tacit knowledge along with the continuous use of written, verbal and integrative mechanisms not attempting to sell a specific initiative.

The classification of mechanisms can become confusing so table one below provides a list of examples of each type of transfer mechanism. It is important to remember that codified and interactive communication mechanisms can be used in two ways: Specific, instantaneous mechanism usage (used in a specific selling initiate), and continuous mechanism usage (used in subsidiary selling, and to communicate) general market information over time, including general opportunities.
### 3.4.3 Knowledge transfer effectiveness

Knowledge transfer is a complex process, and the measurement of knowledge transfer effectiveness is equally complex. The degree of knowledge transfer effectiveness can be thought of as the level of overlap between the message as held by the sender of knowledge and the one created in the mind of the knowledge receiver. The transfer has both a subjective component, being the feeling of certainty or understanding the receiver has regarding the knowledge, and an objective view that attempts to uncover the noise, or interference generated by the transfer process that distorts the message.

Knowledge transfer effectiveness has been linked to the use of an appropriate knowledge transfer mechanism. Explicit knowledge can be very effectively transferred via codified communication mechanisms, but tacit knowledge, due to its characteristics (e.g. its individual-ness, context specificity, difficulty to codify etc.) is better transferred using either interactive communication mechanisms and integrative mechanisms. Integrative mechanisms and interactive mechanisms that are utilized over significant periods of time tend to help build shared mental maps, which enable more effective sharing of tacit knowledge.

The knowledge transfer effectiveness of tacit knowledge transfer encounters many barriers. Seidler-de Awis & Hartmann (2008) point to the fact that tacit knowledge resides in individual skills and social context making it difficult to transfer between different individual's and groups effectively. Cavusgil et al (2003) find that firms with stronger relationships (an integrative mechanism) have a higher extent of tacit knowledge transfer. Seidler–de Awis & Hartman (2008) note that the with regard to the concept of knowledge stickiness (citing Szulanski, 2003) where actors share the same contexts the level of stickiness will be lower. The presence of integrative mechanisms and utilization of interactive mechanisms I believe enable the sharing of contexts greatly increase the effectiveness of tacit knowledge transfer. The use of interactive communication and integration mechanisms can increase the absorptive capacity of headquarters thereby increasing knowledge transfer effectiveness.

The argumentation and literature above clearly highlights the relationship between the effectiveness of knowledge transfer and the choice of knowledge transfer mechanism used.

### 3.5 Entrepreneurial knowledge and its transfer

In this section the literature is assessed to determine the tacitness of entrepreneurial knowledge. An argument is build based on literature and logic, showing that entrepreneurial knowledge is highly tacit, and thus very difficult to transfer effectively. This argument is extended to show that tacit knowledge transfer mechanisms provide the most effective vehicle for the transfer of entrepreneurial knowledge.

Entrepreneurial knowledge has been described as highly tacit (e.g. Johanson & Vahlne, 1977, 2009; Williams & Lee, 2011). Johanson & Vahlne (1977) highlight the importance of experiential knowledge rather than objective knowledge with regard to developing certainty and taking action. Johanson & Vahlne (2009) specifically link opportunities to experiential knowledge, highlighting that the opportunity discovery

<table>
<thead>
<tr>
<th>Codified communication mechanisms</th>
<th>Interactive communication mechanisms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Written Business proposals (3 pager)</td>
<td>Telephone</td>
</tr>
<tr>
<td>Business plan (30 page plus excell cashflow)</td>
<td>Conference calls</td>
</tr>
<tr>
<td>IT based communication</td>
<td>Video conferencing</td>
</tr>
<tr>
<td>Email</td>
<td>Management socials</td>
</tr>
<tr>
<td>Word documents</td>
<td>Formal information sharing events</td>
</tr>
<tr>
<td>Spreadsheets</td>
<td>Informal information sharing events</td>
</tr>
<tr>
<td>Transmitted Powerpoint Presentations</td>
<td>Project meetings</td>
</tr>
<tr>
<td>Monthly reports</td>
<td>Business development meetings</td>
</tr>
<tr>
<td></td>
<td>Face to face Presenatations</td>
</tr>
<tr>
<td></td>
<td>Fact finding mission HQ staff to sub</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Integration mechanisms</th>
<th>Bypass mechanisms (no need to transfer)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head office staff working in subsidiaries</td>
<td>Trust (sub and manager)</td>
</tr>
<tr>
<td>Head office staff working in sub bus dev</td>
<td>Credibility (sub and manager)</td>
</tr>
<tr>
<td>Sub staff working in head quarters</td>
<td>Influence (Sub and manager)</td>
</tr>
<tr>
<td>Dual role staff - sub and HQ (Inc &amp; connection)</td>
<td>Track record (Sub amd manager)</td>
</tr>
<tr>
<td>Social connections</td>
<td>Proof of commitment (larger bonus, job on line)</td>
</tr>
<tr>
<td>Formal networks</td>
<td>Management control systems</td>
</tr>
<tr>
<td>Informal networks</td>
<td>Networks and communities of practice</td>
</tr>
</tbody>
</table>

Table 1 – Communication mechanisms (Examples)
and evaluation process is linked to market commitment based on experiential (tacit) knowledge. Forsgren (2002) however does express suspicion on the correctness of the focus of Johanson & Vahlne regarding experiential knowledge as the sole driver of business activity, but nevertheless implicitly agrees that it is at least one of the key drivers. Zahra et al (2005) points out that although some research points to a highly rational well informed process of entrepreneurship, other research points out that entrepreneurship is a rationally bounded process influenced by the manager’s experience and environment. They point out that managers perceptions and biases often determine the recognition of viable entrepreneurial activities. This non rationalistic view of entrepreneurial knowledge holds it is difficult if not impossible to rationalize and codify and is thus highly tacit.

Ardichvili et al (2003) proposes a theory of the opportunity identification process. They identify an entrepreneur’s prior knowledge, personal traits and social networks as key influences of entrepreneurial alertness and they explain this entrepreneurial alertness is a necessary condition for recognition, development and evaluation of entrepreneurial opportunity identification. If these are necessary conditions for entrepreneurial opportunity identification, it raises concerns regarding the ability of head office managers to recognize and identify opportunities proposed by subsidiaries and strengthens the argument that entrepreneurial knowledge is tacit in nature and hard to codify effectively. Baron (2006) explains that theory suggests that entrepreneurs use cognitive frameworks that have been developed through experience to perceive connections in events that seem unconnected to most. This pattern recognition approach stands somewhat in contrast to the idea of rational cognitive decision making that uses predominantly explicit type information. It has been postulated that this activity of pattern recognition as evident in the pattern recognition of master chess players for example activates activity in different sections of the brain to logical/rational decision making (Bennet & Bennet, 2008), indicating fundamentally different organic processes from rational decision making.

Smith et al (2009) develop a definition of an entrepreneurial opportunity and postulate that entrepreneurial opportunities may exist on a continuum from explicit to tacit. I agree that some opportunities will be highly explicit, whereas others will be highly tacit, and all having explicit components as well as components that are tacit. I believe that compared to other information transferred in a business, the individual cognitive, judgmental based nature of entrepreneurial knowledge (as outlined as the cognitive view by Zahra 2005) means that it is significantly more tacit, and perhaps among the most tacit type of knowledge that can be transferred in an organization.

To better understand why entrepreneurial knowledge is considered tacit, and which components are more tacit or explicit I provide table 2 below. It highlights sub components of the entrepreneurial decision making process.

Table 2 - Sub-components of entrepreneurial knowledge

<table>
<thead>
<tr>
<th>Categories</th>
<th>Explicit</th>
<th>Implicit-Tacit</th>
<th>Pure-Tactic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Explicit</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market driver information</td>
<td>x x x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Competitors action information</td>
<td>x x</td>
<td>x x</td>
<td>x</td>
</tr>
<tr>
<td>Market data/information</td>
<td>x x x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry characteristics and environment (PEST)</td>
<td>x x x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Internal resources knowledge</td>
<td>x x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>External resources knowledge</td>
<td>x x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Fit with overall strategy (MNC and Sub)</td>
<td>x x x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td><strong>Implicit-Tacit</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ability to predict future changes all variables</td>
<td>x</td>
<td>x x x</td>
<td>x x</td>
</tr>
<tr>
<td>Analytical/mental models</td>
<td>x x</td>
<td>x x x</td>
<td>x</td>
</tr>
<tr>
<td>Assumptions</td>
<td>x</td>
<td>x x x</td>
<td>x</td>
</tr>
<tr>
<td><strong>Tacit</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Understanding of business and social networks</td>
<td>x</td>
<td>x</td>
<td>x x x</td>
</tr>
<tr>
<td>Entrepreneurial instinct (General)</td>
<td></td>
<td>x</td>
<td>x x x</td>
</tr>
<tr>
<td>Entrepreneurial instinct (Specific)</td>
<td></td>
<td>x</td>
<td>x x x</td>
</tr>
<tr>
<td>Emotion, belief, energy and interest</td>
<td>x x</td>
<td>x</td>
<td>x x x</td>
</tr>
<tr>
<td>Overall decision (weights and probabilities)</td>
<td>x x</td>
<td>x x x</td>
<td>x x x</td>
</tr>
</tbody>
</table>

It can be understood from the above table that certain aspects of the entrepreneurial decision making process are indeed highly explicit, such as market information (E.g. objective market growth rates), whereas others are extremely difficult to communicate, such as the intuition or entrepreneurial instinct that an opportunity may exist regarding a specific opportunity.
The remainder of the paper and hypothesis assume that entrepreneurial knowledge is highly tacit. Given that integrative mechanisms and interactive communication mechanisms as previously discussed are best suited to tacit knowledge transfer, one can assume then they are the most effective knowledge transfer mechanisms for entrepreneurial knowledge transfer.

3.6 Knowledge transfer in the MNC

This section highlights the specific challenges of knowledge transfer in the MNC by assessing relevant literature relating to either knowledge transfer in the MNC or entrepreneurial knowledge transfer in the MNC and developing hypothesis regarding relationships between entrepreneurial knowledge transfer, knowledge transference effectiveness and mechanism choice, and subsidiary initiative.

3.6.1 Knowledge transfer in the MNC, particularly tacit knowledge

The challenges of knowledge transfer in the multinational have been well documented. The relationship between knowledge transfer and new product outcomes has been assessed (Lee et al, 2008) and the link to organizational performance has been thoroughly studied. Although the majority of the literature tends to focus on knowledge transfer between head office and the subsidiary some studies focus specifically the transfer of knowledge from the subsidiary to headquarters; sometimes called reverse knowledge transfer.

Ambos & Ambos (2009) study the impact of distance in the MNC on personal communication mechanisms (PCM) and technical communication mechanisms (TCM). They find that geographic, linguistic and cultural distance have a moderating effect on personal coordination mechanisms but that technical coordination mechanisms function relatively independent of context. They postulate that the utilization of both technical transfer mechanisms and personal transfer mechanisms increase the effectiveness of knowledge transfer. Gupta & Govindarajan (2000) define vertical integrative mechanisms, which I consider as forming part of my categorization of integrative knowledge transfer mechanisms.

The greater the degree of knowledge tacitness, and the greater the distance travelled, the more difficult it is to transfer the knowledge across the MNC, which results in the fact that managers may focus on transferring the explicit knowledge (or the explicit components of the knowledge).

Inkpen & Dinur (1998) offer the following diagram regarding knowledge transfer and tacitness.

![Figure 7 – Knowledge transfer in the MNC (Inkpen & Dinur, 1998)](image_url)

As can be seen conditions where there is high tacitness and intra organizational transfer (between group and inter organization) the knowledge becomes very complex and difficult to transfer.

3.6.2 Entrepreneurial knowledge transfer in the MNC

This section focuses on the knowledge transfer process in the multinational, and builds hypothesis based on the literature and conceptual reasoning, which are compared to and modified by the empirical findings later in the paper.

Williams and Lee (2011) note specifically that overseas sources of advantage need to be continuously communicated via close interaction and interacting mechanisms. Entrepreneurial knowledge in the MNC is often classified as being tacit (Johanson & Vahline, 2009; Williams and Lee, 2011) or being stored in tacit form (Williams and Lee, 2011). Entrepreneurial knowledge in an MNC faces a number of specific challenges. The knowledge transfer effectiveness of subsidiary based business opportunities are affected negatively by uncertainty (Williams and Lee, 2011; Mahnke, 2007) and the crossing of business contexts (Williams and Lee, 2007). Williams & Lee (2009) explain that knowledge of overseas sources of advantage need to be continuously communicated through integrating mechanisms and close interaction in order for
entrepreneurship (innovation) and commercialization to occur. Birkinshaw (1999) highlights the relationship of communication within the corporate context as having a relationship to subsidiary initiative. He explains that the two way communication helps the headquarters to understand the priority of projects of the subsidiary, and the subsidiary to know what projects are most likely to be accepted by headquarters.

Williams and Lee (2011) explain that socialization mechanisms (considered in this paper as integrative communication mechanisms) are often used to transfer ideas and win approval for investment. Although Williams and Lee (2011) make predictions regarding the transfer of knowledge between subsidiary and corporate contexts, and focus on the ability of social relationships to enable boundary porosity, they do this assuming the main question of how knowledge of entrepreneurship from one context can augment initiative in another context. This paper considers rather how knowledge transfer regarding entrepreneurial opportunities from its local context can assist with project approval, support or the securing of resources and ultimately increasing the level of subsidiary initiative.

Williams & Lee (2011) state that the knowledge coordination problem is fundamental to the phenomenon of entrepreneurship in the modern MNC. Williams and Lee (2011) develop propositions based on social network theory regarding entrepreneurial knowledge coordination in the MNC. These social mechanisms are regarded as part of the tactic structural knowledge transfer mechanisms. Williams and Lee (2011) point out that social mechanisms are important mechanisms by which knowledge is shared in the MNC, due to the fact that various actors influence the understanding of what an opportunity is. Williams and Lee (2011) link entrepreneurial stance to the characteristics of the MNC knowledge network. Williams and Lee (2011) note that knowledge regarding overseas sources of advantage needs to be “continuously communicated through integrating mechanisms and close interaction in order for innovation and commercialization to occur”. Williams and Lee (2011) note the critical role of knowledge flows in fostering entrepreneurship and give examples of Birkinshaw, Von Hippel and Schumpeter as authors who note subtle variations of the link.

Williams and Lee explain that the size of a MNC means that a reduced its ability to implement procedures to efficiently evaluate knowledge arising from a continuous flow of identified opportunities. They explain there will be an increasing need for frequency, intensity and a decreasing predictability with size. They hypothesis that the larger the MNC, the more likely a MNC will adopt a conservative entrepreneurial stance. One can use this insight to tentatively propose that the more easily and cost effectively knowledge can be transfer transferred along a relationship dyad, the more aggressive the company will be in regard to a relationship dyad with regard to entrepreneurship. This will be manifested in a higher level of subsidiary initiative along that dyad. A subsidiary can increased its level of initiative by taking steps to ensure that knowledge is transferred more effectively regarding its entrepreneurial opportunities. This can become a virtuous circle of increasing knowledge transfer creating decreasing knowledge transfer costs associated with reviewing subsidiary business proposals, further creating positive attention for the subsidiary. Williams and Lee (2009) note that the coordination mechanisms of lateral mutual adjustment, job rotation and lower level participation increase significantly in cost with overseas presence. Due to this increasing cost they predict a decreasing entrepreneurial stance with increasing internationalization. Given the conceptualization that there is the internal competition for resources in the modern MNC one can propose that MNC’s are likely to invest time (cost) in understanding and transferring knowledge of priority markets, and therefore make lower level’s of effort transferring knowledge from less priority markets, creating a cycle of declining entrepreneurship in these markets. One can also propose that given the current international economic situation, the growth economies (BRIC level one and two) will receive increasing priority, and developed markets relatively less priority. One could postulate that the most marked decrease will be present in the smallest developed markets (for example Scandinavian countries). Given this assumptions the effective transfer of entrepreneurial knowledge seams especially important then for small developed market subsidiaries.

Johanson & Vahlne (2009) take the view of experiential knowledge as that it is the basic mechanism for knowledge gain and entry into business networks, explaining that entrepreneurial alertness combined with privileged knowledge that exists based on relationships forms the basis for opportunity development. Johanson & Vahlne (1977) explain that experiential knowledge is gained cumulatively through operations in markets. This knowledge they indicate is the knowledge that underpins business opportunity identification. They explain that experiential knowledge provides the framework for perceiving and formulating opportunities. They explain that objective market knowledge can only provide theoretical opportunities, whereas experiential knowledge creates the perceptions of concrete opportunities with emotional involvement. This experiential knowledge then it appears is critical for headquarters to evaluate business proposals brought forward by subsidiaries. This experiential knowledge can be described as the difference between an evaluator ‘understanding the business case logic’ and ‘seeing and believing in the business opportunity’.

If one assumes this background knowledge appears best transferred by tact knowledge then one can hypothesize that tacit knowledge transfer will create belief in the business opportunity presented by a subsidiary by ensuring adequate background knowledge, which will result in a higher likelihood of receiving approval, funding or support for a specific initiative. Johanson & Vahlne (1977, 2009) appear to support the
notion that entrepreneurial knowledge in the MNC tends to be difficult to transfer by explicit transfer mechanisms, in a much as they recognise its tacit quality, and difficult to transfer by its nature. The postulation that entrepreneurial knowledge is highly tacit leads to the hypothesis that the more effective the transfer of tacit knowledge relating to entrepreneurial opportunities, the higher the likelihood of receiving approval, funding or support for a specific initiative. Williams & Lee (2011) highlight that subsidiary managers who utilize tacit knowledge transfer mechanisms to increase subsidiary influence have a larger probability of winning acceptance for their ideas (as they are exposed to a greater number of people). Assuming that the presence and utilisation of tacit knowledge transfer mechanisms increases the effectiveness of tacit knowledge transfer one can deduce that the presence and utilisation of tacit transfer mechanisms (Implicit and pure tacit) increase the likelihood that a specific initiative will receive approval, funding or support.

Looking back to the section of the paper regarding initiative selling and attention seeking, and the arguments regarding the role of knowledge transfer made by Birkinshaw regarding attention, monitoring and initiative, a common assumption is that knowledge transfer in general, and tacit knowledge transfer in particular, will increase monitoring and control activities (Ghoshal & Nohria 1997, in Forsgren, Holm & Johanson 2005). Forsgren, Holm & Johansen (2005) explain that decision making and information decentralisation is a common method to reduce information overload at headquarters level, or to overcome the inability of HQ to receive and process the level of information they require to make effective command and control decisions with regard to the subsidiary (they cite Egelhoff, 1988). However network theory as put forward by Forsgren, Holm & Johanson (2005) predict a different relationship. Under network theory the assumption is that where less knowledge regarding subsidiary markets and activity exists, the higher the need will be to centralize the decision making process to learn more about the market and the decisions being made at the subsidiary. Forsgren, Holm, & Johanson (2005) predict that a lack of HQ knowledge regarding a subsidiary will result in higher levels of centralization, and if this is true, it means that effective knowledge transfer should increase autonomy (via an increase in decision making decentralization). They explain that they theoretically predicted a negative relationship between knowledge transfer and autonomy, in that increased knowledge will increase actual influence, decreasing autonomy in this sense. The theoretical reasoning based in network and resource dependency theory by Forsgren, Holm & Johanson (2005) is tested empirically by the authors. They find a significant negative correlation between HQ knowledge and formal control, and very interestingly no positive correlation (as they predicted via theory) between actual influence and HQ knowledge. This is very important with regard to understanding possible effects of knowledge transfer regarding general market information and specific opportunities in subsidiary environments (both important components of the initiative selling process) in that it appears to have a positive rather than negative association with autonomy. While most theory tends to put forward the assumptions of a negative relationship between both formal autonomy and actual managerial discretion (components of autonomy) and knowledge transfer, there exists credible counter reasoning (and counter evidence). Based on the finding of Forsgren, Holm & Johanson (2005) it can be postulated that subsidiaries could use the transfer of knowledge regarding their activities (through transferring general market data, and specific data regarding business opportunities) to increase both these levels of headquarters positive attention and local managerial discretion.

Birkinshaw (1997) notes that in local and global initiatives that communication between the subsidiary and HQ can be negatively related to initiative when it occurs in the formative stage. Verbeke (2007) believes that communication will have a positive effect on subsidiary renewal activities, but a negative effect on corporate venturing activities. Birkinshaw (1999) notes that negative factors include a high level of decision making centralization, a low level of subsidiary credibility, and most importantly in relation to this paper, a low level of corporate subsidiary communication. Birkinshaw (1997) finds that facilitators of local initiative differ according to the stage of initiative. If the formative stage high autonomy and low communication are required to enable application of subsidiary resources without headquarters influence. As the initiative moved to a more advanced stage higher communication and lower autonomy were facilitators in that sponsorship from HQ is often required at this stage. Internal market initiatives according to Birkinshaw require a low level of autonomy and high level of communication throughout the process. Global initiatives according to Birkinshaw are facilitated by low levels of autonomy and high levels of communication.

The literature highlights the importance of both autonomy and positive attention interacting with subsidiary initiative relating to subsidiary performance (Ambos & Birkinshaw, 2010). Ambos et al (2010) finds that subsidiaries require head-quarters attention to increase their influence via initiatives. They also find that subsidiary initiative has a dual effect of subsidiary autonomy, with a positive direct effect being accompanied by a negative indirect (feedback or secondary) effect as a result of increased monitoring. Ambos & Birkinshaw (2010) contrasts the concepts of attention against subsidiary monitoring, explaining that the first can exist without the negative effects of the latter. A key question for subsidiaries is how to increase positive attention without increasing monitoring activities. In relation to this study the key question is whether increasing the level of knowledge transfer will increase monitoring, positive attention, both or neither.

Forsgren, Holm & Johanson (2005) discuss the impact of headquarters knowledge regarding subsidiary operations in terms of formal control and actual influence. They note that while Ghoshal and Nohria (1997) acknowledge that headquarters do not have sufficient information, they
also do not explicitly state the headquarters do not have the ability to choose appropriate levels of centralization and formality. Forsgren, Holm & Johanson (2005) believe that the formal authority of headquarters is challenged by knowledge that is possessed in the subsidiaries of the MNC. As already highlighted Forsgren, Holm & Johanson (2005) separate HQ control into the sub dimensions of formal control and actual influence. They explain that while formal control refers to the degree of centralization (i.e. desired control, formal authority, desired level of integration), ‘actual influence’ refers to the extent of HQ intervention in subsidiary management decisions. Forsgren, Holm & Johanson (2005) explain that the impact of headquarters knowledge of subsidiary operations is complex. They note that contingency theory would have one believe that the less knowledge HQ has regarding the subsidiary, the more it is likely to decentralize and provide autonomy to the subsidiary. As already highlighted they find the opposite effect.

The negative relationship between subsidiary managerial discretion, autonomy, entrepreneurship, initiative and mechanisms in relation to the level of tacit knowledge transfer has been put forward by a plethora of authors (e.g. Ambos and Birkinshaw, Birkinshaw, Williams and Lee, Verbeke, Birkinshaw & Bouquet among many others).

The majority of the evidence and argumentation in the literature assumes a monitoring effect associated with decreasing autonomy in association with higher levels of explicit and tacit knowledge transfer from subsidiaries to headquarters, and this assumption will underpin the initial hypothesis put forward.

Given the above argumentation, the following hypotheses are put forward.

3.6.2.1 In the short term – 3 months

In the short term, higher presence and utilization of codified communication mechanisms will be

› moderately positively associated with higher knowledge transfer effectiveness,
› moderately positively associated with initiative approval rate’s
› Moderately positively associated with the level of ‘approved projects’
› moderately positively associated with higher levels of subsidiary initiative level
› no correlation to tacit knowledge transfer effectiveness, number of requested projects, size of projects, entrepreneurialness of projects, level of ‘non discussed’ projects and the level of ‘free mandate’ projects

When interactive communication mechanisms are used, there will be a dual effect on knowledge transfer. There will be a positive relationship due to improved knowledge transfer, but a smaller negative relationship due to increased monitoring activities and reduced autonomy related to the increased level of communication and attention.

In the short term, higher presence and utilization of interactive communication mechanisms will be

› strongly positively associated with knowledge transfer effectiveness,
› strongly positively associated with tacit knowledge transfer effectiveness
› strongly positively associated with initiative approval rate
› weakly negatively associated with number of requested projects
› weakly negatively correlated with project size
› weakly negatively correlated with entrepreneurial-ness of projects
› weakly positively correlated to approved project level
› weakly negatively correlated to ‘non discussed’ projects.
› not correlated to ‘free mandate’ projects
› moderately positively associated with higher levels of subsidiary initiative level

Integrative mechanisms (e.g. social networks, close relationships, ex pats working in subsidiaries) have the have a significant dual effect of subsidiary entrepreneurship. These mechanisms have the strongest positive effect on tacit knowledge transfer effectiveness and thus subsidiary initiative, but also are associated with the strongest constraining/monitoring effect of the three categories of mechanisms and thus restrain subsidiary initiative.
In the short term, the presence of integrative mechanisms will be

- very strongly positively correlated to knowledge transfer effectiveness
- very strongly positively correlated to tacit knowledge transfer effectiveness
- very strongly positively correlated to approval ratio
- very strongly negatively correlated to number of projects
- very strongly negatively correlated to project size
- very strongly negatively correlated to project entrepreneurial-ness
- weakly positively correlated to level of approved projects
- very strongly negatively related to the number of ‘non discussed’ projects
- not correlated to ‘free mandate’ projects
- weakly positively correlated to level of subsidiary initiative.

3.6.2.2 *In the medium term – 3 years, taking into account feedback effects of high levels of communication over time*

Over the medium term

- Codified communication mechanisms begin to function in a manner that mimics interactive communication mechanisms, and exhibit the same effects as described above for interactive communication mechanisms
- Interactive communication mechanisms begin to function in a manner that mimics integrative communication mechanisms, and exhibit the same effects as described above for integrative mechanisms

3.6.2.3 *In long term - the feedback effects of the final effect on subsidiary initiative, and increased levels of market knowledge and attention*

Over the long term, the presence and utilization of all three communication mechanisms will result in a weak to moderate increase in the level of subsidiary initiative, which in turn will result on conditions (e.g. track record, credibility, capability etc.) that create further increases in subsidiary initiative. Unlike the short and medium term this relationship is not explicitly displayed in table 3 below, although is can be easily derived by studying the table.

The proposed effects as outlined in the hypothesis above are illustrated in table 3 below.

**Table 3 - Short and medium term effects of knowledge transfer**

<table>
<thead>
<tr>
<th>Approved projects</th>
<th>KT effectiveness</th>
<th>Tacit knowledge transfer effectiveness</th>
<th>Approval ratio</th>
<th>Number requested projects</th>
<th>Size projects</th>
<th>Entrepreneurialness projects</th>
<th>Approved project level</th>
<th>Non discussed projects level</th>
<th>Free mandate projects level</th>
<th>Level sub init</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short term / discrete</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Written Com Mech</td>
<td>+</td>
<td>No effect</td>
<td>+</td>
<td>No effect</td>
<td>No effect</td>
<td>No effect</td>
<td>No effect</td>
<td>No effect</td>
<td>No effect</td>
<td>+</td>
</tr>
<tr>
<td>Verbal Interactive Com Mech</td>
<td>++</td>
<td>++</td>
<td>++</td>
<td>++</td>
<td>++</td>
<td>++</td>
<td>++</td>
<td>++</td>
<td>++</td>
<td>++</td>
</tr>
<tr>
<td>Integrative mechanism</td>
<td>+++</td>
<td>+++</td>
<td>+++</td>
<td>+++</td>
<td>+++</td>
<td>+++</td>
<td>+++</td>
<td>+++</td>
<td>+++</td>
<td>+++</td>
</tr>
<tr>
<td><strong>Medium term / continuous</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Written Com Mech</td>
<td>++</td>
<td>++</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>No effect</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Verbal Interactive Com Mech</td>
<td>+++</td>
<td>+++</td>
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<tr>
<td>Integrative mechanism</td>
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<td>+++</td>
</tr>
</tbody>
</table>

A simplified diagram showing the combined effects (short and medium) of knowledge transfer type (i.e. explicit, implicit-tacit, and pure tacit) on the sub-components of subsidiary initiative are displayed in figure 8 below.
Figure 8 – Combined short and medium term effects of knowledge transfer types
4 METHOD

This paper takes the form of a multiple case study. A qualitative approach is chosen over quantitative research due to a lack of direct prior research and theorising existing on the specific subject. Case studies are regarded as ideal to utilise when focus is on contemporary events, and control over the behavioural events is not required (Yin, 1994). Case studies are regarded as suitable for theory testing, theory building and description providing (Eisenhardt, 1989), all of which this study endeavours to do. The study consists of eight cases, four of which are Swedish based subsidiaries of multinational corporations, and the other four are Swedish based headquarters of multinational corporations.

The paper takes an approach that combines the deductive technique of hypothesis building from prior indirect research related to the topic with the inductive technique of building theory from the case study. As the topic has not received direct empirical study or been adequately theorised previously it is not possible to generate hypothesis that are immediately ready for quantitative research. There has however been a significant amount of literature that indirectly or implicitly covers the topic and to ignore this research and the implied relationships that can be garnished from this research would reduce the strength of the study. This paper then uses previous literature to develop a set of hypothesis and in parallel (i.e. not in sequence) uses empirical study to build theory. The literature generated hypothesis are then compared with the findings of the empirical study and are then rebuked, confirmed or modified based on the comparison. Due to the lack of descriptive literature on the topic, the paper also develops descriptive models to analyse entrepreneurial knowledge and its transfer effectiveness in the MNC. These descriptive models (or categorisations), while not being the prime purpose of the paper, offer significant value in their own right while supporting the main purpose of hypothesis development.

Where the goal is to explore, describe or explain phenomenon in which there is limited prior study, and there exists little developed theory, breadth is more important than depth in a case study design and then my choice of multi case study is a sound one. Yin (1994) explains that multiple case studies are often more robust than single case studies and the finding considered more compelling. If the study was looking for a specific or unique instance or if the author had the ability to spot a representative case then a single case study would have been the most appropriate choice (Yin, 1994). However this was not possible as there is not enough information on the topic to predict which will be unique or representative cases, and therefore a multiple case study was important to make the findings more reliable and generalizable. Including a higher number of cases provides an increasing probability that the findings would not be specific or unique to a particular company or industry, and therefore the maximum number of case studies that I could gain reasonable access to given the time and accessibility constraints was included (8 cases/companies).

The cases included 4 Swedish subsidiaries and 4 Swedish headquarters of multination corporations. To understand the role of knowledge transfer effectiveness, initiative selling effectiveness and general attention seeking effectiveness in subsidiary initiative, and the affect the use and mix of communication mechanisms has in this process, it is important to examine both a view from subsidiaries and head office senior managers. The cases were selected based on replication logic, where companies where selected on the basis that similar results were expected (between the four subsidiaries or between the four head offices) or potentially different for anticipated reasons (when comparing the four subsidiaries to the four head offices) (Yin, 1994).

Fifteen interviews of senior managers in eight large multinational corporations were undertaken. The companies were selected on the basis of a database built from multiple data sources. The primary selection tool was Forbes 2000 list for 2010, but multiple other sources were used including Wikipedia lists, business directories, and stock exchange sites (US, UK and Sweden). Companies were targeted from largest to smallest in a semi random fashion (after an industry filter was applied), avoiding companies not suitable for entrepreneurial study (e.g. Banks, heavily regulated industries etc.). Companies were selected to given that the sector was conducive to a least a degree of entrepreneurship, and most importantly were willing to participate in this study, which was the most significant factor in determining the companies under evaluation. While an attempt was made to ensure participation of both subsidiaries and head offices, the fact the four of each ended up being included was more of an indication of the equal effort made to recruit companies from both groups, and not a decision to balance the numbers of companies.

I used the processes of systematic combining (abductive research) where I started with a theoretical framework that I frequently adjusted depending on the empirical data I received (Dubois and Gadde, 2002).

4.1 Data collection

Data collection consisted of interviews and documentation review (Annual reports, company websites, subsidiary websites etc.). Documents were used to form background understanding of the companies, to discover control variables (E.g. age, size, attitude to innovation and entrepreneurship etc.). The documents were further analysed to find evidence that was in conflict to the evidence given in the interview, or that
supported the interview data. Information from documentation was recorded in structured word documents, then further analysed and grouped into tables, both separately and in combination with interview data.

### 4.1 Interviews
The interviews lasted between forty five minutes and two hours, and were recorded selectively (not word for word, only relevant information). The interviews were transcribed within 24 hours. The interviews were semi-structured starting with open ended questions and ending with a series of shooting questions. The interviews were structured such that the first half was not question based but subject or context based, asking the contact to reflect and put forward experiences they have had under the discussion headings (i.e. structured story telling). The second half of the interview consisted of semi structured questions and answers (allowing the contact to embellish as they desired), followed by direct question regarding the contacts perceptions of the concepts under investigation. Two of the fifteen interviews were conducted telephonically. The questionnaire was developed using constructs available in the literature, the TIME study template, examples available in the literature and the authors own ideas. An example of the questions is offered in Appendix A, however it changed marginally between companies and interviews, and usually not all questions were asked as they were answered as the contact answered other questions or told stories. In total 15 interviews were undertaken. Most contacts were senior manager in either headquarters or subsidiaries and all were involved in business development.

### 4.2 Document review
Document review consisted of a review of the annual reports and similar electronic or hardcopy available documents of each company (presentations, corporate governance documents, investor information packs etc.) as well as the corporate websites (headquarters and subsidiary). The annual reports were used prior to the interview to set up and guide the questions, and after the interview to provide a point of comparison to the information provided in the interview. They were also assessed to finds mentions of items of interest (such as knowledge transfer and entrepreneurship), as well as other control variables that can be used of points of reference in analysis.

### 4.2 Data analysis
Each case was analysed and tentative conclusions drawn, after this cross case analysis within the sub categories (Subsidiaries or head office) was undertaken, and then the combined analysis was compared across the groups of cases. Conclusions were drawn based on the collective analysis of the two sub categories of cases, and on combined analysis of the two groups.

Data collection and analysis was steered by advice from Miles & Huberman (1994), Yin (1994/2009), Saunders (2007) and Eisenhardt (1989).

### 4.2.1 Analysis methods
As suggested by Miles & Huberman (1994), within case analysis was used, followed by cross case analysis. Within case analysis was used to summarise, group and order the main ideas in each case and cross case analysis was used to identify similarities and difference between the cases, and to try to identify the findings that will have the highest chance of being found to exist in a quantitative study. The use of tables (matrices) and visual displayed as suggested by Miles & Huberman to analyse and display date was also used. Simple coding was used to enable pattern matching within cases. The emerging patterns from each case were compared continuously to the hypotheses emerging from the existing literature and across cases to build, create or modify theory.

### 4.3 Quality assurance, reliability, credibility and study limitations
To enhance construct validity I used multiple sources of evidence. To enhance internal validity I conducted explanation buildings and addressed rival explanations/descriptions. To enhance external validity I used theory for within case analysis and theory and replication logic for cross case analysis. To enhance reliability I followed a case study process of building theory outlined by Eisenhardt (1989). Case study procedures and protocols as suggested by Saunders, Yin, Eisenhardt and Miles and Huberman were employed. A case study database (as described by Yin, Miles & Huberman) was used to further increase the reliability of the research.

The qualitative approach used in this study means that external validity is considerably impacted. This trade off in external validity is justified in cases where the opportunity to gain insight into currently incompletely documented phenomena exists or where limited empirical research exists on the issues under investigation (Birkinshaw et al 2006). The decision not to proceed directly to undertake quantitative research was proved correct by the significant modification of existing theory that is found in the study. The decision to conduct a multiple case study as opposed to a single case study is supported both by the argumentation in the paragraph above, and more so due to the limited access that was available in each company, possibly too limited to justify a single case study. As already explained, given the relatively shallow access provided, and the choice to undertake a multiple case study, means that an increased number of cases strengthened the study. The maximum
number of companies that could be studied given the time, resources and access was then chosen which turned out to be eight. The choice to implement a cross sectional design was imposed both by limited access and the study’s time constraints. A longitudinal design would have provided higher reliability of each individual case, but less generalizable data (and I would argue overall reliability).

The findings made in this paper are mainly based on the subjective judgments of the managers interviewed, although objective data is used to provide support, context and a point of comparison. Besides the existence of objective data, the majority of the data, and most of the data that the findings and conclusions are draw from are based on direct or indirect management perceptions. This should not be viewed as a weakness of the paper, because the subject matters means that perceptions and opinions will provide the most valuable information on the subject, especially while conducting initial research on the new field. It is however a limitation of the paper. Now that ground work has been undertaken, in the future, objective methods built from operationalized measurable constructs should be undertaken in parallel with subjective measurements of perception. Measurements of perceptions will however likely remain the most important component of method of study of this subject, even when quantitative studies are undertaken.

The study was undertaken during the recession, which may have affected participants’ attitudes and experience with entrepreneurship (the last few years will shine the most bright in memory). The fact that the interview question evolved and changed as the study progressed negatively effects internal comparability and consistency, but increased information quality and thus increased overall reliability and credibility.

A significant limitation was the lack of relationship with the contacts interviewed and the likelihood that they will put a positive spin on and protect information they would not like to be uncovered. This is a problem with all academic business study, but is a little bit amplified given the subject under question. This was mitigated to some extent by using multiple sources of data, usually multiple respondents, and further being alert to this challenge.

The interview based nature of this research is limited to the contacts recall ability and as already discussed forthrightness/frankness. Direct observation of behaviour and communication (written and verbal) would greatly enhance the reliability, credibility and validity of the findings, but is extremely difficult to be granted permission to undertake.

The study is limited in focus to Swedish subsidiaries and headquarters, making generalizability of the findings across countries and cultures uncertain. The study also selected firms which are likely to engage in entrepreneurship; both in terms of industries selected, and in terms of the fact that companies and individuals favourably disposed to entrepreneurship and innovation were more likely to agree to participate in the study. The effect of this was that the findings may not be applicable to regulated industries such as banks, insurance companies or utilities, or companies whose corporate culture was unfavourable to entrepreneurship. The choice to study only Swedish headquarters or subsidiaries was a trade of primarily made on the grounds that face to face interviews were desired for this topic of study. Limitations regarding finance and time dictated that only Swedish companies could be considered as part of this study.

The study had limited numbers of respondents per company, and limited time to observe each company. This reduces the reliability of findings and construct validity, but not to an unacceptable level. The fact that only one side of the HQ sub dyad in each case was assessed (although the study contained both) could be seen as a limitation, but was also a strength in the sense that each respondent did not have to fear divulging information that may upset the party on the other side of the relationship dyad. The study is heavily dependent on manager’s perceptions and opinions of events as it is difficult to generate objective data on the subject, which limits construct validity and reliability. The study was conducted by a single researcher which compromises reliability of findings; this was mitigated by the following of case study procedures and protocols and a case study database as described above.

The questions evolved as the study progressed, as did the definitions of the various study concepts. This is acceptable as with qualitative research part of the purpose is to build an understanding of the concepts; it however does impact comparability of cases. Another limitation is the lack of recognition of the term tacit knowledge by managers interviewed, which limited the depth of discussion.
4.4 Case company details

Table 4 below summarize the case company characteristics.

Table 4 – Case company characteristics

<table>
<thead>
<tr>
<th>Category</th>
<th>Country</th>
<th>Industry</th>
<th>Product/Service</th>
<th>Number of Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case A</td>
<td>Head Quarters</td>
<td>Sweden</td>
<td>Engineering</td>
<td>Product/Service</td>
</tr>
<tr>
<td>Case B</td>
<td>Head Quarters</td>
<td>Sweden</td>
<td>IT</td>
<td>Service</td>
</tr>
<tr>
<td>Case C</td>
<td>Head Quarters</td>
<td>Sweden</td>
<td>Manufacturing</td>
<td>Product/Service</td>
</tr>
<tr>
<td>Case E</td>
<td>Head Quarters</td>
<td>Sweden</td>
<td>Industrial Equipment</td>
<td>Product/Service</td>
</tr>
<tr>
<td>Case D</td>
<td>Subsidiary</td>
<td>Sweden</td>
<td>Consumer products</td>
<td>Product/Service</td>
</tr>
<tr>
<td>Case F</td>
<td>Subsidiary</td>
<td>Sweden</td>
<td>Engineering</td>
<td>Product/Service</td>
</tr>
<tr>
<td>Case G</td>
<td>Subsidiary</td>
<td>Sweden</td>
<td>Capital goods</td>
<td>Service</td>
</tr>
<tr>
<td>Case H</td>
<td>Subsidiary</td>
<td>Sweden</td>
<td>Telecom</td>
<td>Product/Service</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The graphs below (figure 9) show a revenue comparison and number of employees for the case companies.

Figure 9 – Case company comparison
5  EMPIRICAL FINDINGS

5.1 Description of entrepreneurship process and flow of entrepreneurial knowledge

5.1.1 Entrepreneurial approval process

5.1.1.1 Swedish subsidiaries

The process of entrepreneurial project approval was strikingly similar across all four cases. Where there was sufficient time the ‘entrepreneur’ would slowly build support for their idea via direct liaison with a superior. This process would almost always consist of an informal phone call, followed by the sending of a ‘3 pager’ written business proposal. If the proposal was well received a face to face meeting followed, and if the business case was well liked, the superior would take the project to the next level, surprisingly most of the time without the ‘initial’ entrepreneur as a significant player in the communication process going forward. This was the case if it was a middle manager bringing a proposal to his senior manager (within the subsidiary), a business area manager bringing the proposal to regional manager (almost always a Nordic regional manager), or a subsidiary manager bringing a proposal to a group (non-business area) regional manager. The regional manager (whether business area, or group) would then leave the subsidiary manager (or divisional manager) behind and personally take the proposal up the chain if required. This would occur along formal reporting relationships in parallel with an on-going process of informal phone calls, ‘3 pagers’, full proposals and face to face meetings (usually at pre-determined times along the formal reporting schedule). One of the frustrations expressed was that the originator ‘loses’ touch with their proposal as it disappears up the train, and therefore don’t fully understand the reasons why it may be approved or rejected.

Three of four subsidiary companies experienced relatively strong frustration regarding the ability to act in an entrepreneurial nature and to pursue initiative. Case G experienced extreme frustration, and despite considerable efforts and they were denied the ability to pursue four seemingly very potentially lucrative opportunities. Case D simply had little support and or budget for new business development. There was no marketing/business development department in Sweden with the MNC headquarters claiming that this function could be effectively run from the regional offices (who had to make resource constrained choices which countries to allocate budget too). Even case F, who were allowed a relatively large amount of strategic and entrepreneurial freedom (they were allowed to drive a high number of acquisitions) felt very constrained by the financial targets that they were expected to hit each year, explaining that it made entrepreneurship (where one is waiting for a longer term reward) very difficult to pursue outside of acquisitions. One of the managers explained the key was the impact on the financial figures of the person who sat above the subsidiary in the MNC hierarchy. If an initiative would impact this persons financial figures for the year, you were in for a very tough time.

Another frustration was the many parallel, overlapping and ambiguous ‘centres of approval’ where rejection that could occur, noting that one rejection would stop an initiative, whereas multiple approvals were required to go ahead. Usually a subsidiary entrepreneur (assuming he worked just under the divisional or general manger of a subsidiary) would as a starting point need approval of the subsidiary business area manager, and the subsidiary manager (i.e. Managing Director). Thereafter one of them would try to obtain the approval of the Nordic regional managers. If this was attained the next step was usually the approval by the European area manager, who would obtain the final approval from head office if required. Where the specific point of approval is required was not clear and was a function of the size of the initiative and the closeness of the initiative to the ‘strategic boundaries.

There was the general acknowledgement that it was important to stay on the ‘business radar’ of HQ, but one of the contacts noted that this attention could at times have restraining effects on ‘non discussed initiatives’. This was countered by all of the others who explained that being on the business radar was closely associated with the relationship networks between subsidiary and headquarters, which gave the managers the confidence and latitude (based on trust or feeling of comfort) to try more ‘non discussed initiatives’ believing there job were more secure (due to the close relationship they would experience with the head office or regional contact). It was noted attention has both positive and negative effects, but the positive effects where seen to significantly outweigh the negative effects in all of the contacts except one. Even in that one case it was only non-discussed initiatives where a negative relationship was only with regard to non-discussed initiatives, with positive influence suspected on ‘free mandate’ and ‘approval based’ initiatives. Some managers felt there was little that could be done to raise attention, that it was a product of market significance and subsidiary performance (either strong or poor) and that one could not employ tactics to influence it. Others felt that building contacts at head office and ensuring activities were followed that were important to the global strategy could assist this process. They did not admit however to actively employing ‘sales tactics’ to gain position.
Initiative selling was very hard to distinguish as a separate entity from knowledge transfer. Managers explained there was a process of initiative selling, but this was simply a process of trying to relay the information regarding the entrepreneurial opportunity. They explained that while they would use connections where they existed, call in favours where they had them stored up and use power where they had it the process occurred simultaneously through the same mechanisms and channels and was less important than the quality of the business case. None of the managers admitted to having a ‘strategy’ to influence headquarters decisions, more that selling is a part of life and that there was some element of it when they reported the business case. They emphasised that the focus of the activity was effectively communicating the business case that they thought was strong, and not on items such as ‘being convincing’, packaging the case or using networks.

All managers (except one) felt that transferring knowledge well with frequent communication increased the likelihood of their projects being approved. They also felt that extensive interaction communication would improve their relationships and bargaining power with head office/regional management, and therefore increase the likelihood they would attempt entrepreneurial projects. They felt that there would be a positive effect on the level of ‘approved project’, ‘free mandate’ projects and even ‘non-discussed projects’. The contacts explained that the strength of relationship would mean they were more likely to undertake non discussed projects, as they felt the consequences would not be so severe if they had strong connections at head office. They felt that undertaking ‘non-discussed’ initiatives were not discouraged, and were considered a normal part of business. The one contact who felt that ‘non-discussed’ projects would be restrained by higher levels of interactive communication took the view that these projects were hidden, and a little ‘naughty’. The managers noted that over time the increased communication was likely to have an increasing effect, as the parties became increasingly familiar. Two however noted that if the relationship soured or turned negative (which was described as highly unlikely) then perhaps initiative could be restrained. However it was noted positive relationships were the norm and therefore positive effects were predicted.

In all cases the managers agreed that it was financial controls that had the largest restraining effect on entrepreneurial activity, and that behaviour monitoring and control had limited effect. In all cases the managers agreed that closer relationships would enable more leniency regarding financial targets. The managers also noted, aside from the possibility to relax financial targets in the case of better relationships, the higher levels of market knowledge could mean greater buy in from headquarters to entrepreneurial projects. The combined effects of higher levels of leniency, higher levels of market understanding and higher perceived levels of job security all encouraged initiative taking in the subsidiaries.

5.1.1.2 Swedish headquarters

The entrepreneurial approval process consisted of a similar process outlined in the empirical findings of the Swedish subsidiaries. The head office managers described a rigorous process of document review, weeding out the strong proposals, and then challenging the subsidiaries to defend their proposals. They selected then those that they felt comfort in, perceived as having a high reward to risk ratio, were in strategically significant markets or came from very credible sources with a strong track record. They never gave the impression that there subsidiary managers were feeling frustrated with the process, and all believed the firm had the ability to make sound decisions on subsidiary business proposals.

All four understood that subsidiary managers try ‘sell’ there initiatives and this is all part of international business. They all felt that the most important factors affecting the ‘sale’ were the business case and the manager’s track record. They all thought that it was unlikely that factors outside of the business case and managers track record would have an effect on their approval of an initiative.

The interviewees said that some subsidiaries got more attention and focus than others, but this was a necessity of business, and was the right thing to do. In business the best opportunities need to get the most attention, and some markets were far larger, growing much faster, and has more market share up for grabs than others.

Headquarters agreed that financial targets were the biggest restraining factor in entrepreneurship, and that the closure the relationship to the subsidiary and the more market knowledge they had the greater likelihood that they would allow target relaxation and entrepreneurial activities. They were also more likely to feel comfortable with entrepreneurial opportunities in markets where they had more knowledge. They also noted that managers who they had good relationships with tended to come forward with higher numbers of entrepreneurial proposals. One of the managers pointed out that the more structured the business case, the more clear the argumentation, the more likely he was too approve an initiative. This manager wanted clearly well researched business cases, and appreciated when managers could answer questions quickly and clearly. In this case he claimed that the most important factor in approving projects was the business case, but added that certain other factors (such as track record and the credibility of the manager proposing the business case) was also important. The manager noted that fast growing markets would be viewed more favourably than slower growing or small ones. He also noted that he did not necessarily feel that he needed a
deep understanding of the market from where the business proposals arise. On consideration he did admit that the more comfortable he felt with a business proposal the more likely he was to approve it, and further the more he knew about a subsidiary market the easier it was to feel comfortable about the proposal. He then admitted that increased knowledge regarded a subsidiaries market could assist in the approval process.

In three of the cases it was noted that efficiency of transfer was highly important. The managers would prefer information to be transferred very effectively to save them time in the decision making process. In two of the cases the contacts noted that previous knowledge of the subsidiary, its market and the manager dramatically increased the effectiveness and efficiency of knowledge transfer.

The major obstacles to approving entrepreneurial initiatives, besides having to allow subsidiary managers to take expenses or make investments that endangered short term financial returns, was when initiatives carried high risk, required high investment, or were outside the strategic boundaries of the business. Head office managers in all cases agreed that when an initiative feels outside of the strategic goals of the company it had very little chance of being approved. In one of the cases it was noted that a subsidiary that was achieving excellent financial performance, had managers with great entrepreneurial track record, where they were closely connected to the manager and understood the market well, in this case they were prepared to look at proposals that would be considered outside the normal strategic bounds for the organisation.

All the managers noted that there was a certain extent of ‘non-discussed’ projects that went on. Most of the contacts did not feel this was a problem as long as they were low investment, well within organisational boundaries, and did not affect financial returns. Some said they preferred not to be bothered with these smaller initiatives, but said they come a point where they can feel annoyed if they feel projects of a certain size have not been authorised by themselves. They felt that higher levels of communication and closeness to subsidiary managers would mean that they would probably be more aware of more of these projects, but that further they would also know the manager and market better, and if they viewed the manager favourably they would be likely to be more willing to accept the presence of these projects. In three of the cases the managers noted that they were more likely to give managers of subsidiaries the ability to engage in free mandate projects where they were more familiar with the manager and were happy with that manager’s track record, and had high levels of trust. They further noted that increased information about a subsidiaries market and the subsidiaries actions in the market, increased understanding of the market, which made it easier to grant that subsidiary the right to undertake ‘free mandate project’. Most noted that to them, ‘free mandate’ meant that permission wasn’t required, but they certainly would be expected to be made aware of the projects existence. Having a strong in background knowledge of the subsidiary market would make it less likely they would need to investigate the business case behind the ‘free mandate project’. In all four cases managers agreed that it was more likely to approve projects where they trusted the manager, understood the market and had frequent communication or close structural ties to the subsidiary.

5.1.2 Entrepreneurial knowledge flow

5.1.2.1 Swedish subsidiaries

The flow and mechanism of knowledge transfer and initiative selling was remarkably similar in all four of cases and almost always consisted of an incremental process of:

- An informal phone call to direct superior
- If positive response a short written description of business
- If positive response a face to face meeting to discuss
- Development of a detailed business plan/proposal
- An informal phone call to the next in command chain
- Business proposal summary
- Face to face meeting

The process above would be repeated up the organizational hierarchy perhaps three or four times before a project was given permission to initiate. It is interesting to note that often the initiative originator was not involved in the selling of the initiative all the way up the chain of command.

The structures of communication and knowledge transfer are expected to be complex in the MNC; however the number of layers and complexity of reporting relationships were striking. Trying to draw a clear line where the subsidiary and the headquarters proved virtually impossible, as country subsidiary managers reported to regional business managers, who reported to larger regional managers, who in turn reported to larger regions until after three of four levels the chain finally would culminate at head office. Besides these multiple levels between
a country subsidiary and company headquarters, there also exhibited parallel channels (sometimes multiple) of communication, one along geographic lines and the other along business units or areas. In some instances the business unit command chain was the most significant, and in other the geographic took precedence. Further complicating the situation is that final approval decisions could be made at any stage along the levels, not in a binary fashion at either headquarters or the subsidiary.

In one case (Case F) the division of the subsidiary had official head offices in Germany, effective head office from a control and resource point of view in Stockholm and most of the experienced senior staff still sat in Sweden. The managing director of the global business unit however was located in the UK. This created an almost impossible task of pinpointing the communication path for business opportunity information and made the defining of the head office and subsidiary (or border between) also very unclear. The reporting relationships for the Swedish business manager was then to both the business area Northern European business regional manager and the Swedish subsidiary CEO. The Swedish subsidiary CEO then reported to his group Northern European business manager where the chain of command ended ultimately after another three levels at the group CEO in Germany. The business area Northern Europe business regional manager however had an ultimate chain of command ending with the business unit divisional manager sitting in the UK. The majority of the senior executives who drove worldwide projects and the bulk of the employee competence however sat in Sweden creating a third chain of potential information flow and potential support or rejection. To increase complexity further the company and created a joint marketing and business development committee who’s role was to coordinate business development and new product/service sales across all business units within the Nordic region (across business area’s), and who met regularly face to face.

This new cross functional business development team desired to be the first point of call for new business initiatives. Further the company had cross business unit industry sectors that had leaders in positions of decision making authority for new projects that were strategically important to those sectors. Even after negotiating these five separate potential channels of decision making authority, a manager in a particular business unit attempting to embark on an entrepreneurial endeavour then had to receive permission from the cross unit management functions (e.g. finance, human resources, procurement, etc.). The human resource department could (even if permission to proceed on a particular course and the allowance of a reduced profit margin for a particular period of time had been granted) still refuse to employ people to undertake that initiative (due to for example a companywide hiring freeze, or dissatisfaction with the level of remuneration required for the level of employee) or the property department could refuse to sign a lease agreement to house the new staff. One contact from Case F explained that when a new entrepreneurial opportunity is identified it is sometimes necessary to “overpay” key staff members to work for a fledgling division (which carries career risk), and in a particular instance the HR department had refused to pay above market rates, in the fear it would cause trouble in other areas of the company, if word got out about the salary levels. .

As noted in almost all cases the knowledge transfer follows an incremental process of a phone call to an immediate superior, followed by a mini-plan, followed by a face to face meeting, followed by a phone call to the next level, followed by an email of the mini-plan or full business proposal. In all cases the managers noted that the need to understand the knowledge in detail is dependent on the size of the investment, the risk or the degree to which the initiative falls out of current company strategic boundaries. None of the managers interviewed viewed the issue in a binary sense, in that either that it was not important for the managers up the chain to understand the details of the business proposals they approve/disapprove nor was it regarded as unnecessary for headquarters to hear, understand or believe in the arguments. It was generally regarded the higher the required investment, risk or deviation from strategy then more important it was for ‘HQ’ to understand the details information surrounding the business proposal. However it was also noted that it was just as, if not more important, that as investment level, risk or strategy misalignment increased, the requirements for subsidiary manager or subsidiary credibility and track record also increased proportionally. The requirement for face to face discussion also increased as project significance increased.

In all cases the existence of projects that were based on approval of a business case and thus high levels of information flow (‘approved projects’), projects that existed that were not approved by head office although it was unclear if they needed to be and thus were without information flow (‘non discussed’ projects) and projects that did not require permission (free mandate projects) as the managers either had high autonomy, or certain projects of certain types were agreed to be at the discretion of subsidiary management, and thus were accompanied by low levels of information flow.

5.1.2.2 Swedish headquarters
The entrepreneurial knowledge flow as seen from the perspective of headquarters was a mirror image of the descriptions from the subsidiaries. The exception to the entrepreneurial information transfer process was one of the head office companies (Case A) who explicitly used their company intranet as an official system designed to encourage entrepreneurship and business innovation. Although this mechanism seems on face level an explicit transfer mechanism, it was noted by the contact that this of course lead to connections between people, a series of phone
calls and face to face meetings, and had the effect of buildings communities of users, who were specifically interested in promoting entrepreneurship. The contacts agreed that these could be classified accurately of communities of entrepreneurship and innovation. This was the only case of the four where it appeared headquarters was making a proactive effort to channel knowledge more effectively and efficiently from its subsidiaries. The contact described the system as being extremely promising. The other three cases relied on the systems of formal reporting channels, yearly strategy setting as well as informal contact. All cases believed they had the ability to receive all the information that was required for sound decision making.

In all four cases the headquarters reported that most of the required knowledge was contained in the business case (explicit written knowledge) and that they could make good decisions based on this. They noted that where they challenged the subsidiaries this was best done face to face to provide the maximum feeling of comfort and understanding. One of the managers admitted that social connections indeed played a role, but this was related more to having confidence in that person’s abilities and honesty, not the desire to do favours, nor specifically that knowledge was better transferred. Usually the head office decision maker would receive a call from someone lower down the chain of command informing him of a business proposal he was going to make at an upcoming meeting, which is of course the ‘flip-side’ of the knowledge transfer process already described in subsidiaries above.

A very interesting phenomenon was offered by one of the contacts. They noted that the more knowledge that has previously been transferred, and the closer the relationship to specific subsidiary, the less effort and time that was required to evaluate the knowledge. They explained that one of the reasons they may decide not to pursue an initiative was the time and cost of investigating this initiative, and that initiatives from well understood markets were then more likely to be approved. Two of the remaining three head office cases agreed that higher levels of market familiarity, lead to more efficient knowledge transfer, higher levels of certainty and less investigation time that was required for evaluation of a proposal. On both of these cases the managers admitted that this ‘cost of knowledge transfer’ reduction could place these projects in a favourable position to competing projects.

The head office managers did not see the same highly complex knowledge transfer structure that was described by the subsidiaries. This is expected as they will usually be the final point of approval, and therefor their experience is to have a single contact approach them for permission, not realising that long information transfer process that has lead up to the point, nor aware of possible parallel processes that the subsidiary is driving.

5.2 Management perceptions regarding the importance of knowledge transfer effectiveness, tacit knowledge and using a mix of knowledge transfer mechanisms

5.2.1 Swedish subsidiaries
The managers all highlight that the business case, the arguments and the research were very important to getting projects approved. They believed head -quarters had the ability to separate a strong well researched proposal from a weak one. They felt that head-quarters would never see the opportunity as clear as they could, but this is just a reality of business that one could not significantly affect. They all agreed that face to face communication was important, but mainly as a time saving tool for head office, as opposed to that the total knowledge transfer effectiveness increased. Three agreed that social and professional networks could play a significant role, although one said that it could never make the company select a significantly inferior business case in place of a better one. The contact explained there were just too many people involved in the decision making process and favouritism would be exposed. None of the managers seemed to initially (from the beginning of the interview) conceptualise face to face meetings, or the use of professional of social mechanisms, as transferring knowledge that would otherwise not be transferred.

None of the managers interviewed actively tried to use different knowledge transfer mechanisms to transfer the entrepreneurial knowledge more effectively. None of the managers seemed very concerned about this aspect. They explained that if the business case was good (the written proposal), well researched and well argued that this all you could do. After discussion around the issue, they all agreed that there could be some component of knowledge that could not be transferred, and that perhaps there was an opportunity to improve on this area. The managers all however seemed to agree that high levels of interactive communication with head office in the business development process. Even further they all seemed to think that the examples of integrative mechanisms I provided were all very important in the business development and project approval process, however they did not seem to acknowledge that this was related to better knowledge transfer, and they certainly did not link different transfer mechanisms to the knowledge subtypes as described in this study (i.e. explicit, implicit-tacit or pure tacit). They did not try to use the mechanisms to improve various types of knowledge transfer, and none of them thought in terms of there
being significant differences between tacit versus explicit knowledge, and the vast majority did not even recognise the existence of these subtypes.

All of the subsidiary managers stated that better knowledge transfer was enabled through higher levels of communication. They all agreed that higher levels of familiarity, trust (close relationships) and head office integration would significantly improve the approval ratio of their initiatives, increase the amount of initiatives they attempted and the level of project entrepreneurial-ness. All the managers agreed there would be a very positive impact on ‘approved projects’ and ‘free mandate projects’, and the majority agreed that even non discussed initiatives would be increased by closeness to headquarters. The majority of subsidiary managers agreed that with higher levels of communication, even in the absence of ‘closeness’, there would be an increase in all three types of project level (i.e. approval based, non-discussed and free mandate), although not as significant as the increased associated with closeness or tight relationships with headquarters.

5.2.1.2 Swedish headquarters

Headquarters managers thought it was very important for subsidiary managers to clearly and logically present the business case. One manager said it can be challenging to feel comfortable, but when the person has clearly done their homework, is very structured and can answer most of your questions clearly it helps significantly. The head office managers seemed perhaps even more sceptical than subsidiaries to the idea that entrepreneurial knowledge was tacit and could not be well transferred. The majority thought that written communication could transfer almost all of the required knowledge, and that face to face communication was simply used to check the credibility of the written communication. One did however say after discussion that if a subsidiary manager could increase his certainty and understanding regarding the entrepreneurial opportunity, this would certainly is a tremendous advantage. Another admitted that social networks and friendships were incredibly important, but made this comment in an obtuse way.

The managers did not think that the choice to use one mechanism in a particular way over another was of particular importance with regard to increasing overall knowledge transfer effectiveness. They were not convinced that this was the key, assuming knowledge transfer effectiveness was important, to transfer the knowledge more effectively. Most highlighted the need for well-argued business cases, sound logic and clear evidence of research. As with the subsidiary managers head office managers agreed with the importance and role of verbal interactive communication mechanisms, and even more so integrative mechanisms, but not necessarily in relation to knowledge transfer effectiveness, and certainly not in relation to tacit knowledge transfer, which was universally not recognised, and viewed with suspicion (as to its existence). It was noted that increased knowledge transfer effectiveness would increase the level of all three types of subsidiary initiative, and that integrative mechanisms would also increase significantly the three types of project (although not for the reason of improved tacit knowledge transfer). All HQ managers agreed that increased knowledge transfer effectiveness would have a significant effect on entrepreneurial project approval rates of their subsidiaries.

It is important to note that the managers (both subsidiary and HQ) struggled to identify the importance of the different transfer mechanisms or tacit knowledge in the entrepreneurship process. The first answer was something along the lines of they are all important, then after some probing the said it depend on the specific of the situation, then sometimes after some questioning they would point to some mechanism being more important than others, but after further questioning and discussing then point to others. It seems like they take a very simple and pragmatic view, viewing the situation as involving a few phone calls, a business proposal and a few meetings which was sufficient to transfer enough information to make a fairly sound decision. Headquarters managers said they didn’t seem to think that it was that difficult to transfer the information, and all pointed out that they were very good at understanding information presented to them.

As already explained, one of the headquarters pointed out that exiting knowledge reduces the cost of knowledge transfer with a particular subsidiary, putting this subsidiary at an advantage against other subsidiaries.
6 ANALYSIS

Subsidiary entrepreneurial opportunities are transferred from subsidiaries to headquarters via an incremental recurring processes (that involving informal phones calls, ‘3 pager’ business proposals, face to face meetings and full business proposals. The originator of the idea usually is divorced from the approval seeking process at some stage. The knowledge needs to transferred through many layers of approval seeking structure, and along parallel (sometimes multiple) channels, before reaching head office. With the exception of acquisitions, there is no specific rule regarding which level of permission in the structure is required, or at which point the final decision is made. The general rule is the larger the project, the higher the risk, and the more outside the box (compared to normal strategy) then the higher up the organization permission or support is needed.

It is illuminating to understand that the idea of a simple two party dyadic knowledge transfer relationship between a host country subsidiary and a home country head office is of apparently very little value. Small market subsidiaries have to get through at the very least two regional layers of decision making before the case is considered by head office (if it is not approved at one of the regional structures; e.g. European region), making it virtually impossible to make the case first hand. These subsidiaries then rely on a third party (a regional structure), who often has heard the business case from another third party (another lower level regional structure; e.g. Nordic Region), to make the final case at head office. If one accepts the argument regarding the tacit nature of entrepreneurial knowledge, then one has to believe very little of this tacit knowledge is actually getting transferred to headquarters under these circumstances.

It is also important to note that the final decision may (and does) very often occur lower down the hierarchy than headquarters, at perhaps one of the two (in this case usually Nordic and European) regional group levels, never being approved or even under the awareness of headquarters. This has implications for the subsidiary that under this condition it cannot use knowledge transfer of entrepreneurial opportunity to gain attention from headquarters, rather from their regional reporting structures. It is not clear how one should classify these regional structures, should they be considered part of headquarters or subsidiaries? Are they a third entity with entirely independent characteristics? If so, then who’s interested do they look after? These regional levels seem particularly prevalent in the smaller markets, whose size does not warrant individual headquarters attention. The impact of this regional management level may be extremely significant. The proportion of project that gain final approval at this level may be very large indeed for subsidiaries based in smaller sized developed markets. Where approval is situated at headquarters the initial support may be built at regional level, which may be the deciding factor in head office final approval. The most study worthy instance of knowledge transfer may be then between the subsidiary and the regional management structure and the information transfer between HQ and the regional structure may be of less significance. It is important to note that the regional managers usually do not reside in head office countries, rather in the region, and it is unclear at this stage if these managers have stronger relationships with the subsidiaries or head office.

While the existence of entrepreneurial approval related frustration experienced by the subsidiary managers was not surprising, the level was certainly. My intuition tells me that MNC’s tend to treat Sweden as a market where subsidiaries need to stick to very strict financial targets, irrespective of the long term implications for the subsidiary, as they don’t see significant financial returns from these markets (relative to others). It seems that MNC’s will be content to see these subsidiaries stagnate and even shrink as long as the profit margin is maintained for them to plough into lucrative growth markets (e.g. BRIC). This may good for the MNC (although arguable) and its shareholders but is a disaster for subsidiaries and their managers. One would have to categories the process of entrepreneurial approval seeking in Sweden as very difficult and prevented to a large extent by financial targets.

It is very interesting and I think surprising that managers do not really think about or recognize the importance of tacit knowledge and its transfer in the entrepreneurship process. Managers, both subsidiary and headquarters, certainly saw the need for a clear, well-argued business case, but not for the transfer of tacit knowledge by special mechanism. There are a number of explanations for this finding. It may be that managers do not have the theoretical mental framework to conceptualize and consider tacit knowledge and its implications. During my 5 years management experience I never once used the term or thought about how it needed to be managed. Only after completing a course in knowledge management did I come to understand its importance and implications. If it is true that managers do not currently recognize the existence or importance of tacit knowledge then there is tremendous advantage to be gained for the subsidiaries that learn to use the most optimal transfer mechanisms to transfer this knowledge. They could create a feeling of certainly and comfort around their proposal and win the battle for internal resources.

Another explanation for the lack of recognition and attempts to transfer tacit knowledge is that it is simply too expensive, time consuming or challenging to actually to transfer tacit knowledge, and that efficient organizations and individuals have learned not to even try. An alternative
explanation is that the concept of tacit knowledge may be simply of philosophical or academic interest, with explicit mechanisms perfectly capable to transfer all knowledge that needs to be transferred in practice. It is also possible that entrepreneurial knowledge, despite my assessment and arguments in this paper, is in fact highly explicit, and does not need to use the tacit or implicit knowledge transfer mechanisms.

I believe entrepreneurial knowledge is highly tacit, and that when headquarters say they assess the business case, they mean that they simply want to see that research had been done, and sound logic exists. I believe that it is rare that they ever actually clearly see or believe the opportunity, or have any conviction in that regard. So I stand by my assessment that if a subsidiary can learn to become a master of tacit knowledge transfer, using implicit (e.g. face to face meetings, subsidiary-HQ workshops) and tacit (e.g. personal and professional networks, communities of entrepreneurship, deepening relationship with headquarters etc.) they will go a long way to making the frustrating processes of entrepreneurial approval significantly less so.

6.1 Comparison and combination of theoretical hypothesis and empirical findings

The notion that knowledge transfer effectiveness assists entrepreneurial project approval and subsidiary initiative seems to be reinforced by the empirical study. Managers highlight that headquarters understanding of the business case as critical to receiving approval, but this seems to be a reference to the transfer of explicit knowledge. The theoretical postulation of the importance of the transfer of tacit knowledge is difficult to directly assess as managers do not seem aware of the need to transfer the tacit components of knowledge. The belief by subsidiary managers that if you can get headquarters to really believe in your business opportunity, although not linked specifically in their minds to tacit knowledge transfer, is evidence of the importance of tacit knowledge transfer in the entrepreneurial process. The importance that all managers attribute to verbal interactive communication mechanisms and integrative mechanisms (although not in their mind as tacit knowledge transfer mechanisms) is further evidence of the importance of tacit knowledge transfer in subsidiary initiative.

It appears that in the short term the theory and empirical evidence agrees that knowledge transfer is an important part of the subsidiary initiative process, that knowledge transfer effectiveness relating to the transfer of information between subsidiaries and head office increases the level of subsidiary initiatives, and that in the short term improves subsidiary initiative project approval rates (and thus level of approved projects). There is agreement between the initial theoretical propositions and the empirical study in the codified communication mechanisms are weakly positively correlated to knowledge transfer effectiveness, project approval ratio, the level of approved project and the overall level of subsidiary initiative. There is also agreement that written communication mechanisms are not correlated to tacit knowledge transfer effectiveness, the number of requested projects, the project size, the project entrepreneurialness, the level of non-discussed projects and the level of free mandate projects.

The study and the initial theoretical postulations of this paper however differ in the short term with regards to both verbal interactive communication mechanisms and integrative mechanisms. The empirical evidence agrees with prior theory in that verbal communication mechanisms usage will be weakly positively correlated to level of approved projects and moderately positively correlated to knowledge transfer effectiveness, tacit knowledge transfer effectiveness, project approval ratio and the overall level of subsidiary initiative. However the empirical data shows that in contrast to the theoretical predictions, the presence and utilization of verbal interactive communication mechanisms will have a weak positive correlation to the number of projects requested, project size, project entrepreneurialness, level of non-discussed projects and level of free mandate projects. The reason for the difference appears to be that any potential negative ‘monitoring’ or controlling effects of increased subsidiary exposure to head office are slightly overshadowed by higher levels of headquarters trust and understanding of business proposals (caused by an increase in implicit-tacit knowledge), a reduced cost of knowledge transfer for both subsidiary and headquarters, and an increase in risk taking willingness (due to feelings of job security and leniency of financial targets) of subsidiary managers.

The study agrees with the prior reasoning in integrative mechanisms in the short term are strongly positively correlated to project approval ratio, and that there presence is positively correlated to approved project level and overall level of subsidiary initiative (although it find a strong positive correlation, as opposed to a weak positive one). The evidence drastically disagrees with the theoretical propositions in that it find a strong positive correlation to the number of requested projects, size of requested projects, entrepreneurialness of requested projects and the level of non-discussed projects. The reasons for the discrepancy are the same as outlined in the above paragraph.

In the medium term similar contradictions are found. Written communication mechanisms are found to have weak to moderate positive correlation to all of the project categories and subcomponents. Verbal interactive and integrative mechanisms are found to have strong positive correlations to all project types and their sub components over the medium term. It should be noted that it is assumed through that over the medium term codified communication mechanisms function in a similar manner to short term verbally interactive communication mechanisms,
and that verbally interactive communication mechanisms function in a similar way to short term integrative mechanisms. These changes in mechanisms function is due to the gradual transfer of tacit knowledge (implicit tacit and pure tacit) over the medium term that occurs with codified and verbal interactive communication mechanisms. For an illustration of the medium and short term differences in effect of communication and interactive mechanisms refer to table 5 and 6 below.

In the medium term knowledge transfer effectiveness in the opinions of managers is very strongly associated with improving the project approval ratio, but most managers reject the idea that it may decrease the number of projects put forward. They say that it is not necessarily true that higher levels of knowledge transfer decrease the ‘entrepreneurial-ness’ of projects. Managers explain that the more contact and trust that is developed, the more comfortable and able they feel to pursue projects that are driven by the subsidiary. The fact that managers claim higher levels of knowledge transfer regarding entrepreneurial opportunities in the medium term does not decrease the entrepreneurial-ness of projects or number of projects goes against the theoretical prediction based on contingency theory (and other knowledge transfer related literature) that that increasing knowledge is associated with increased control, monitoring and formal authority, and is in agreement with network theories predictions (Forsgren, Holm & Johanson, 2005) that increased knowledge is associated with higher levels of subsidiary management discretion (based on higher levels of formal decision making authority located in the subsidiary). To put this simply one could say the more headquarters knows, the less they feel the need to control.

In the long term there is a compounding effect of subsidiary initiative, with subsidiary initiative leading to increased trust, credibility and closeness (among other variables) leading to further initiative.

The agreement between the empirical findings and theoretical hypothesis that knowledge transfer effectiveness increases subsidiary initiative, which in turn increase subsidiary track record, credibility, capability and trust is not surprising, as this has been hypothesized and empirical tested by Birkinshaw (1997) previously.

The stark contrast between theoretical predictions and managers perceptions of the importance of tacit knowledge in the process needs to be further investigated. The concept needs to be indirectly measured as manager’s seams not to be conscious of the term tacit knowledge, nor of the need to use specific knowledge transfer mechanisms for its transfer.

The relationship between tacit knowledge transfer effectiveness and subsidiary initiative are expected to mirror the effects of knowledge transfer effectiveness and subsidiary initiative, only more strongly. Given the theoretical arguments that entrepreneurial knowledge is highly tacit, along with the discovery in the empirical findings that little attention is given by managers in practice one could postulate that where effort is made to effectively transfer the tacit components of entrepreneurial knowledge significant impacts should be found. The study however expects to find few instances where these efforts are currently being made. It is expected that there is going to be a significant number of companies who transfer the tacit knowledge by accident via tacit knowledge transfer mechanisms that tend to exist for reasons other than knowledge transfer, usually as a side effect of the ‘sales tactics’ (e.g. lobbying) employed. It appears from the evidence collected in this study that there is some limited use of these mechanisms to transfer the knowledge, and one would expect then to be able to with rigorous study find a relationship between the existence and use of these mechanisms, subsidiary project approval, and subsidiary initiative.

The positive link between approval based projects and the presence and utilization explicit knowledge transfer mechanisms appears to be very probable. The link between implicit and pure-tacit knowledge transfer mechanisms receives very strong theoretical support in this study, but there is not conscious direct support from managers regarding this notion. There is indirect support through the presence of tacit knowledge transfer mechanisms, and then indirect support for the importance of tacit knowledge transfer in the entrepreneurial process.

One of the findings that most directly influences the literature based hypothesis is the finding that it is the financial constraints that effect entrepreneurial initiatives, and not headquarters monitoring and control of subsidiary behavior or activity. This is important to note because it means increased attention and awareness does not negatively influence entrepreneurial behavior of the subsidiary (as financial control is far more important than behavioral control). Behavioral control is generally implicitly argued as the entrepreneurship constraining mechanisms in the literature predicting negative effects of increased monitoring. The managers noted that having close relationships, and high levels of headquarters involvement meant higher chances to temporarily adjust downwards financial targets to allow for entrepreneurial endeavors.

Further, managers rejected the idea that even when the financial consideration was not considered, that closer relationships and higher headquarters contact and involvement made an atmosphere that was less conductive to entrepreneurship. They instead predicted that there would be less constraining behavioral control in these cases, due to higher behavioral awareness being overshadowed by less centralized behavioral rules (due to less need to control a known entity). It is important to understand this argument stands separate from the financial versus behavioral arguments put forward in the above paragraph, and this directly contradicts the idea that the mechanisms that transfer tacit
Knowledge will tend to have a negative feedback loop that tends to decrease subsidiary initiative. The empirical findings agree with Forsgren, Holm & Johansson (2005) that increased knowledge transfer does not mean less actual subsidiary management discretion, and may be associated with higher levels of official autonomy. The modified table and diagram are set out below. Table 5 which highlights the hypothesis developed in the literature review can be compared to table 6 which illustrates the empirical findings. Figure 10 displays the final hypothesised relationship which are written set out in the discussion section.

Table 5 – Matrix based on literature review

<table>
<thead>
<tr>
<th>KT effectiveness</th>
<th>Tacit knowledge transfer effectiveness</th>
<th>Approval ratio</th>
<th>Number requested projects</th>
<th>Size projects</th>
<th>Entrepreneurialness projects</th>
<th>Approved project level</th>
<th>Non discussed projects level</th>
<th>Free mandate projects level</th>
<th>Level sub init</th>
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<tr>
<td><strong>Short term / discrete</strong></td>
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Table 6 – Matrix based on a combination of literature review and empirical findings

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<tr>
<th>KT effectiveness</th>
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<th>Size projects</th>
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Figure 10 below represents the final hypothesised relationships between knowledge transfer types and sub-components of subsidiary initiatives.
Figure 10 - Medium term effects of knowledge transfer types
7 DISCUSSION – THEORY DEVELOPMENT, IMPLICATIONS FOR THEORY, IMPLICATIONS FOR PRACTICE

7.1 Deduced/Induced/emergent theory
The hypothesis developed in the literature section are combined with the empirical case findings to create a new set of hypothesis below

7.1.1 In the short term – 3 months
In the short term, higher the presence and utilization of codified communication mechanisms will be

› moderately positively associated with higher knowledge transfer effectiveness
› moderately positively associated with initiative approval rate’s
› Moderately positively associated with the level of ‘approved projects’
› moderately positively associated with higher levels of subsidiary initiative level.
› no correlation to tacit knowledge transfer effectiveness, number of requested projects, size of projects, entrepreneurialness of projects, level of ‘non discussed’ projects and the level of ‘free mandate’ projects

In the short term, higher presence and utilization of interactive communication mechanisms will be

› strongly positively associated with knowledge transfer effectiveness,
› strongly positively associated with tacit knowledge transfer effectiveness
› strongly positively associated with initiative approval rate
› weakly positively associated with number of requested projects
› weakly positively correlated with project size
› weakly positively correlated with entrepreneurial-ness of projects
› weakly positively correlated to approved project level
› weakly positively correlated to level of ‘non discussed’ projects.
› weakly positively correlated to ‘free mandate’ projects
› moderately positively associated with higher levels of subsidiary initiative level

In the short term, the presence of integrative mechanisms will be

› very strongly correlated to knowledge transfer effectiveness
› very strongly positively correlated to tacit knowledge transfer
› very strongly positively correlated to approval ratio
› very strongly positively correlated to number of projects
› very strongly positively correlated to project size
› very strongly positively correlated to project entrepreneurial-ness
› very strongly positively correlated to level of ‘approved projects’
› very strongly positively related to the level of ‘non discussed’ projects
› very strongly positively correlated to ‘free mandate’ project
› very strongly positively correlated to level of subsidiary initiative.

7.1.2 In the medium term – 3 years, taking into account feedback effects of high levels of communication over time
Over the medium term

› Codified communication mechanisms begin to function in a manner that mimics interactive communication mechanisms , and exhibit the same effects as described above for interactive communication mechanisms
› Interactive communication mechanisms begin to function in a manner that mimics integrative communication mechanisms, and exhibit the same effects as described above for integrative mechanisms

7.1.3 In long term - the feedback effects of the final effect on subsidiary initiative, and increased levels of market knowledge and attention
Over the long term, the presence and utilization of all three communication mechanisms will increase subsidiary initiative, which in turn will result on conditions (e.g. track record, credibility, capability etc.) that create further increases in subsidiary initiative.
7.1.4 Additional hypothesis

› Managers do not attempt to manage tacit knowledge regarding business opportunities in a different way to explicit knowledge
› Where active tacit knowledge management regarding initiative selling is found, significant effects on subsidiary initiative will be found
› The knowledge transfer relationship between the subsidiary and regional management is more significant in the subsidiary and initiative selling process than the knowledge transfer relationship between subsidiary and head quarters

7.2 Implications for theory

The hypothesis’s developed in this paper can and should be tested in a large scale quantitative study. The fact that managers do not seem to be actively trying to transfer tacit knowledge more effectively, and do not attempt to increase the utilization of tacit knowledge transfer mechanisms for this purpose, means that it is unlikely that significant numbers of companies will found to be doing so. However, where active tacit entrepreneurial knowledge is found it is likely to have significant effect. The fact that management is not consciously attempting to transfer the knowledge means that the tacit knowledge transfer effectiveness will need to be measured indirectly (and objectively if possible), not by management perception only.

The challenge to the assumptions that the presence and utilization level tacit knowledge transfer mechanisms are likely to have a positive side effect on subsidiary initiative, as opposed to the predicted negative side effect as predicted by contingency theory is very significant. There is theoretical support for the general concept that knowledge transfer may not have a negative feedback effect on subsidiary autonomy (Forsgren, Holm & Johansson, 2005), but this needs to be confirmed with empirical quantitative study.

The distinction between the short term and medium effects as put forward in this study inform scholars academic study needs to take into account the time frame over which the effects of knowledge are studied. The study also puts forward specific categories of subsidiary initiative, and suggests that these categories be separate in future quantitative research. Further, the study informs scholars that perhaps the subsidiary-regional management relationship is more important than the subsidiary head office relationship, and further that this regional management structure needs descriptive research to assess if this structure is considered part of head office, the subsidiary, or a third entity.

The lack of companies who actively attempt to manage tacit knowledge in the subsidiary initiative approval process mean that there is an opportunity for academics to undertake research where they provide recommendations to implement such measures, assist and guide the process and empirically test the results (in a longitudinal study with intervention).

When studying the influence of knowledge transfer effectiveness, or the use of various knowledge transfer mechanisms in relation to subsidiary initiative, one needs to measure the effect on the subcomponents (approval ratio, number of projects etc.) of subsidiary initiative, in addition to the direct relationship to subsidiary initiative level. The consequences must also be assessed over the short term (isolation or ceterus parabiss view), the medium term view (including feedback effects) and the long term view (overall long term effect, including compounding effects).

The concept of subsidiary-HQ communication also needs attention. Especially when dealing with subsidiaries located in smaller, lower priority markets. As this study highlights the reporting relationships need to be driven through regional intermediaries, and often travel through more than one of these structures. The treatment of these regional intermediaries and classification of them as belonging to a subsidiary, its headquarters or being an independent third entity needs to be established.

It is also important to clearly clarify knowledge transfer mechanisms under the understanding that the long term use of an explicit knowledge transfer mechanism, can result in extensive tacit knowledge transfer. One has to clearly identify this continued use of a mechanism as a separate mechanism, or differentiate between continuous and instantaneous usage of a mechanisms.

7.3 Implications for practice

Management needs to be aware that they could dramatically improve their entrepreneurial project approval rate by improving their tacit knowledge transfer effectiveness. Not only is it likely they are probably not transferring the tacit knowledge as effectively as they could, they are also losing out on the battle for internal resources by choosing not to do this.

The finding that higher use of these mechanisms increases in tacit knowledge effectiveness, leading to lower costs of future knowledge transfer, leading to increased likelihood of headquarters attention (and comfort with regards to the business proposal), means that they have the opportunity to create a virtuous circle of increased knowledge transfer, resulting in lower costs of knowledge transfer, resulting in more willingness to engage in knowledge transfer. Subsidiaries can gain significant competitive advantage against other subsidiaries, and this is of
particular importance for managers of subsidiaries located in small developed markets who find themselves in a counter *vicious* circle of lower attention, leading to less knowledge transfer, leading to higher knowledge transfer costs relatively to other subsidiaries, leading to less willingness of headquarters to engage in knowledge transfer, leading to less potential for favourable initiative evaluation and approval.

The finding that the secondary effects of knowledge transfer of entrepreneurial opportunities have a further positive effect on subsidiary initiative, in that they increase the comfort level of managers to engage in entrepreneurship, and increase the possibility of flexibility regarding financial targets, means that there is very little downside to increasing the use of integrating and interactive communication mechanisms. With significant upside managers should immediately attempt to increase the presence and utilization of these mechanisms.

Managers of subsidiaries in Multinational corporations operating in small developed market's should attempt to increase their tacit knowledge transfer quantity and effectiveness regarding entrepreneurial opportunities (in the initiative selling process), as this rare skill may help them win the battle for internal resources such as attention and finance. Given the difficulties that these managers have competing for internal resources with BRIC economies, and large developed economies, this may be a very significant weapon that these managers can use to move up the organizational hierarchy.
8 CONCLUSION

This paper studied the possible relationships between tacit knowledge transfer effectiveness and subsidiary initiative, and further assessed the influence of the utilization of tacit knowledge transfer mechanism. The main conclusions of the paper are

- Knowledge transfer effectiveness and in particular tacit knowledge transfer effectiveness may significantly increase subsidiary initiative in the short, medium and long term
- Most organizations probably do not transfer tacit knowledge relating to entrepreneurial opportunities effectively from subsidiaries to headquarters as part of the initiative selling process
- The utilization and presence of integrative and interactive communication mechanism, which transfer tacit knowledge more effectively than codified communication mechanism, is likely to lead to higher levels of subsidiary initiative
- Subsidiaries located in small developed markets could improve their chances to win the battle for internal resources in the MNC through improved tacit knowledge transfer

The hypothesis developed in this paper should be tested quantitatively as a future research project.
REFERENCES


Rodney McAdam, Bob Mason and Josephine McCrory (2007) Exploring the dichotomies within the tacit knowledge literature: towards a process of tacit knowing in organizations, journal of knowledge management, VOL. 11 NO. 2 2007, pp. 43-59


10 APPENDIX – INTERVIEW QUESTIONS

(Influenced by TIME survey)

The following questions were adjusted depending on whether the interview was conducted with headquarters or subsidiary, and according to the job role.

10.1 Open ended questions

› Entrepreneurship, initiative and innovation – Tell me about them in your organization, in general and specific examples
› Discuss and describe the business development process (strategy, objectives, budgets, command and control structure, performance and reward system)
› Discuss and describe the managerial growth process
› Discuss and describe the entrepreneurial growth process
› Discuss and describe the knowledge transfer process surrounding entrepreneurial opportunities
› Discuss and describe the initiative selling process
› Discuss and describe the process of subsidiary marketing to headquarters
› Discuss and describe general knowledge transfer in the organization
› List the knowledge transfer mechanisms used for general (all) knowledge transfer
› List the knowledge transfer mechanisms used for knowledge transfer as part of initiative selling
› Describe factors that restrain or facilitate entrepreneurship
› Discuss some examples of successful initiatives, and rejected initiatives
› If someone identifies a moderate to long term entrepreneurial opportunity, what process will be followed?
› If someone identifies an entrepreneurial opportunity within the year, after the yearly strategy meeting, what process will be followed?
› Discuss organizational structure - reflect on impact on entrepreneurship
› Describe organizational strategy - reflect on impact on entrepreneurship
› Describe the organization command and control strategy - reflect on impact on entrepreneurship (decision making centralization and sub autonomy)
› Describe the performance measurement and reward strategy - reflect on impact on entrepreneurship and subsidiary initiative
› Describe factors that facilitate/hold entrepreneurship back

10.2 Shooting questions

› Do you feel frustration regarding your (subsidiary) position and role in the MNC?
› Do you feel you are being sidelined by subsidiaries operating in fast growing developing markets?
› How can managers in small developed markets improve their chances of receiving attention and getting approval for their initiatives, how do you try it (subsidiary) or how have you seen subsidiaries do it (head office)
› How much effort do you devote to selling your projects at HQ?
› Where is your point of permission for initiatives?
› How many initiatives have you proposed in the last 5 years?
› What is the organization’s attitude toward entrepreneurship, and initiative?
› Does the company measure levels of entrepreneurship?
› Does the company have a knowledge management department/strategy?
› Is ‘knowledge transfer’ a key determinant of subsidiary initiative?
› Is ‘tacit knowledge transfer’ a key determinant of subsidiary initiative?
› How important is it for headquarters (or you) to believe in the business opportunity?
› How important is it for headquarters (or you) to understand the argumentation?
› What is the attitude towards entrepreneurial ventures?
› Is there a level of desired entrepreneurship, where are units under your focus compared to that level, where is the company overall compared to the desired level?
› Is growth (market share and profit) mainly managerial or entrepreneurial? How do you differentiate them? What do you think of the usefulness of the following definitions (definitions put forward)?
› Where do entrepreneurial initiatives start, where are they driven from, who takes ownership of them?
› What is your attitude toward entrepreneurship?
› How is entrepreneurship level measured?
› What is the difference between entrepreneurship and innovation?
› How many initiatives have occurred last 5 years that you were involved in or aware of?
› What are the % sales new products, % sales new markets, new products per year, R & D budget size and asset growth investment. How does this compare to other subsidiaries.
› Are projects internally competitive, or is everything above a hurdle rate approved?
› Discuss written/explicit KT mechanisms’ listed
   ○ When used
   ○ How used
Knowledge transfer effectiveness in subsidiary initiative selling -
Unlocking the door to subsidiary initiative for managers operating in small developed markets

- Frequency and intensity
  - Formal versus informal

Discuss implicit KT mechanisms listed (E.g. below)
- telephone discussion
- Face to face formal meeting
- Face to face informal meeting
- Management socials
  - When used
  - How used
  - Frequency
  - Intensity
  - Formality
  - Openness versus professionalism
  - Yearly meetings - number attendees management team

Discuss Tacit KT mechanisms listed (E.g. below)
- Formal networks (DM)
- Social networks
- Number expats in management (Ex pat ratio)
- Number expats in sub (Ex pat ration)
- Ex Pats working in business development
- Entrepreneurial communities
  - When used
  - How used
  - Frequency
  - Intensity
  - Formality
  - Openness versus professionalism
  - Yearly meetings - number attendees management team

Discuss bypass

Discuss KT characteristics
- Openness
- Amount
- Speed
- Richness
- Completeness
- Complexity
- Codified

Type of Unit - categories
- Unit age
- Unit Activities
- Employees
- Sales
- R & D budget
- Marketing Budget
- Operating profit
- Share of business other units
- Units internationalization
  - Subsidiary nominal, subsidiary relative and parent company

Rate the importance of these factors on HQ evaluation of performance
- Financial results
- Market share
- Growth
- Product/service innovations
- Production innovations
- Providing knowledge
- Using knowledge
Entrepreneurship/initiative
Tightly following strategy

To what extent do you consider yourself unique in relation to other MNC units concerning

- Core activities
- Market conditions
- Business practices
- Corporate culture

Are you are much more entrepreneurial than other MNC units in division

Are you much more entrepreneurial than other MNC units outside division

What is the extent of influence of your unit compared with HQ on following decisions?

- Choosing suppliers
- Deciding on capital investments
- Deciding on R & D investment
- Deciding on Entrepreneurial investments
- Deciding on Entrepreneurial initiatives
- Deciding on investment in acquisitions
- Deciding on new products
- Deciding on new markets
- Deciding on value chain integration
- Introducing new products or services internationally
- Appointing senior managers in your unit
- Units integration
- Knowledge flows intensely into unit
- Knowledge flows intensely out of unit
- Units communication
- Units autonomy
- Units influence
- Units credibility
- Units track record

10.3 Initiative specific questions

- How was the knowledge transferred, sequence, type, frequency?
- How many transfer objects are there for an entrepreneurial initiative?
- Describe the initiative
- Was is reject/approved, what were the reason?
- How large was it?
- Where did it originate?
- Was permission sought?
- When was permission sought?
- Was there the requirement to ask permission? How did you know?
- Where was permission sought?
- Was investment from HQ required?
- Was the initiative going to impact subsidiary financials?
- Was the initiative in line with organization strategy?
- Rate the initiative in terms of proactivity, riskiness, size, strategy synchronization, innovativeness and entrepreneurship.

10.4 Knowledge transfer of entrepreneurial information

- Do you personally buy the argument that there is a component of knowledge in general, and of entrepreneurial opportunity in specific, that only recoverable through intense debate and questioning - beliefs, assumptions, background thinking?
- Do you personally buy the argument that there is a component of knowledge in general, and in entrepreneurship specifically, that cannot be transferred.
  - OR is very difficult to transfer,
  - OR is better to transfer via non codified mechanisms.
- When someone finds and opportunity, how will they transfer that to HQ?
- What methods are used - refer to KT mechanism list?
- Describe the communication between sub and HQ - frequency, formality, richness, depth, density, openness
- Is there strategy behind the choice of mechanism?
- Is there an attempt to develop deep relationships to understand the market very well by headquarters?
  - OR do you as headquarters see subsidiary managers trying to develop deep relationships with yourselves?
What mechanism do you use, and what is most important?
What combo is best, what order is best?
Do you think knowledge transfer effectiveness affects the approval of proposals?
Do you think knowledge transfer intensity decreases the number of entrepreneurial proposals?
Do you think knowledge transfer intensity AND effectiveness increases the profitability (% and nominal) of entrepreneurial activities?
Do you think each mechanism (codified, implicit, transfer, bypass) has different impacts on [Approval Ratio] [number pro] [level initiative] [level sub entrepreneurship] [level corporate entrepreneurship] etc.
What barriers and facilitators exist between HQ and the sub as far as knowledge transfer of entrepreneurial opportunities?
Is it possible to transfer more knowledge, is it a waste of time?
How can HQ better see inside your market? (or for HQ, how could you better see inside subsidiary markets)? Do you ever think ‘if only they knew, they would be investing money, time and attention on this market?’ (for subsidiary). Or for headquarters do you ever say to yourself ‘I wish I could see more clearly into subsidiary markets’?
How important is it for your division to be entrepreneurial to survive over the longer term? (Subsidiary) Or is it important for subsidiaries to be entrepreneurial to ensure long term survival, how does this situation change if the subsidiary is situated in a developing or developed market? (HQ)
Do you feel that the BRIC countries, or other developing nations are making it impossible for you do get attention toward your entrepreneurial ventures (subsidiary). Do you feel that most of the attention to subsidiaries projects is directed toward the developing nations, and do you think there is frustration building in the subsidiaries of developed markets? Which ones?
Do you think HQ wishes they could see into you head, to help them understand the market you control
Examine factors, how NB is entrepreneurial compared to others?
What reasons does HQ usually give with regard to why initiatives turned down?
What do you think the reasons usually are that proposals are rejected?

How similar in terms of the following is HQ and subsidiaries

- Technology
- Market
- Culture
- Other

To what extent have you shared knowledge of entrepreneurial initiative over the years

- Extent
- Intensity
- Good experience or bad experience?

Evaluate the following statements regarding the transfer of entrepreneurial knowledge (knowledge of business opportunities in subsidiary markets)

- The recipient understood easily deeply and clearly the opportunity, for HQ we understood…
- The recipient required extensive discussion surrounding the opportunity, for HQ we required extensive…
- The recipient of knowledge knows us well, for HQ we know the subsidiary management well
- The recipient knows the market well, for HQ we know the subsidiary market well
- The knowledge transfer process was quick and painless
- We thought to myself, ‘if only they could see the same opportunity we see’, for HQ ‘I cannot see this opportunity, I don’t understand why the subsidiary believes the business opportunity is so good, I just don’t see it’.
- We engaged in extensive written communication
- We engaged in extensive discussion
- We made extensive use of formal and informal networks
- We feel they were not certain of the opportunity, so the decision came down to credibility. For HQ, we were not certain…
- To what extent where the following communication methods used – provide list
- To what extent were the following interaction/integration forms used – provide list
  - With regard to subsidiary initiative/entrepreneurial projects/business development activities
  - In general

- Are enough resource put into knowledge transfer of entrepreneurial initiative
- Are enough resource put into relationship building with HQ