

Influential Factors on Reverse Knowledge Transfers in Multinational Organizations


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INTRODUCTION

Knowledge plays a pivotal role in the competitiveness of firms as both a resource in itself – which is rare, firm-specific, and difficult to imitate or substitute – and an integrating factor that makes other intangible resources and capabilities unique, especially in dynamic environments.

Knowledge has also a social dimension within firms. Hence it is important that firms develop a positive culture so that the utilization of individual's knowledge can be used and thereby makes firms compete favorably in the market. As such, firms need not only to develop a better knowledge base, but also need to manage knowledge better. For that, firms need to develop a teamwork effort so that the utilization of knowledge is useful for the firm (Omerzel & Gulev, 2011).

Globalization has turned organizations into highly complex and competitive environments where information and knowledge are the main sources of sustainable competitive advantage (Nonaka & Takeuchi, 1995; Teece, Pisano, & Shuen, 1997). With the globalization of the economy, the internationalization of the firms has become an increasingly important activity for their growth and survival (Dicken, 2015; Moreira, 2009). Although there are numerous theories that explain how firms internationalize, knowledge is almost taken for granted in most of them (Ribau, Moreira, & Raposo, 2015). Moreover, very few scholars address the importance of knowledge as a competitive advantage for multinationals to compete (Moreira, 2009; Ribau et al., 2015).

Multinational organizations need to be seen as global knowledge transfer systems where multiple knowledge flows happen simultaneously every minute between headquarters and local clusters, headquarter and subsidiaries and also among subsidiaries. Furthermore, in order to improve international positioning, these organizations must deal with and try to take advantage from different temporal, cultural, linguistic and spatial contexts (Demarest, 1997; Spender & Grant, 1996). Knowledge transfer involves sharing, filtering and presenting knowledge. This process is successful when the knowledge receiver changes its behaviour or performance, due to the knowledge sender's transfer (Argote & Ingram, 2000).

On one hand, headquarters (thereby written HQs) are irreplaceable sources of new knowledge for the subsidiaries, since they possess valuable intangible assets and capabilities, which might be used by the subsidiaries in their local markets. However, on the other hand, the local knowledge created and transferred from the foreign subsidiaries to the headquarters has proved to be very beneficial to the

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productivity and local performance of the multinational, improving the formulation of global strategies, facilitating the access to external resources and supporting both research and development (R&D) and new products development activities leading to productivity gains to the multinational (Ghoshal, 1986; Ishihara & Zolkiewski, 2017).

Subsidiaries can contribute to the overall multinational knowledge with local expertise and market intelligence. The expertise concerns input, productivity and output processes. Whereas market and business intelligence refer to information about clients, competitors and suppliers, representing the most valuable knowledge to the firm but least transferred one (Ambos, Ambos, & Schlegelmilch, 2006; Gupta & Govindarajan, 1991). Although there are numerous researches on the importance of several types of knowledge flows within multinationals (e.g. Crespo, Griffith, & Lages, 2014; Yang, Mudambi, & Meyer, 2008), the aim of this chapter is to deepen the literature specifically on reverse knowledge transfers in which knowledge flows from the subsidiary (the sender) to the HQs (the receiver) that receives, absorbs and applies it to obtain and exploit global competitive advantage.

This chapter seeks to explore the main key success factors that influence Reverse Knowledge Transfers (RKTs) within multinational corporations (hence referred as MNCs). The chapter categorizes those knowledge transfers within four main groups: subsidiary's characteristics; knowledge characteristics; relationships between HQs and subsidiary; and the central outcomes of these knowledge flows to the organization.

This chapter is divided in four sections. After this introduction that comprises the first section, background information is presented in section two. Section three addresses the main focus of the chapter: the four main groups of RKT. Section four presents the solutions and recommendations. Section five addresses the future research directions. Finally, section six presents the main conclusions.

BACKGROUND

As stated before, knowledge is considered the main source of companies' competitive advantage (Nonaka & Takeuchi, 1995; Teece et al., 1997). Since MNCs are divided into several agencies, they must handle knowledge transfers in different directions, such as conventional or vertical transfers (from HQs to subsidiaries), lateral or horizontal transfers (between subsidiaries) and reverse transfers or RKT (from subsidiaries to HQs). The latter, while being extremely valuable in transferring knowledge and underpinning the MNC's strategy, faces several obstacles to succeed.

This chapter's contribution can be divided in terms of RKT factors into four main groups: characteristics of subsidiaries, characteristics of knowledge, characteristics of the relationship between HQs and subsidiaries, and outcomes of RKT. The first group, which is one of the most explored topics in literature, is the subsidiaries' characteristics, namely the influence subsidiaries have under the strategy development, the internal and external embeddedness of these divisions, the subsidiary's country of origin, as well as the entry mode chosen to initiate the commercial relations in the given country.

The characteristics of the knowledge itself are very relevant to explain the RKT, specifically in terms of relevance, explicitness and complexity (Crespo et al., 2014; Ishihara & Zolkiewski, 2017; Yang et al., 2008).

The relationship between subsidiary and HQs is an extremely interesting area, although difficult to exploit and sometimes achieving contradictory results. It explores aspects such as the ability to disseminate and absorb knowledge, human resources practices and the control and coordination mechanisms adopted in each subsidiary.

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In spite of being very scarce, information was also gathered on the research carried out on the results of RKT in terms of performance or productivity gains to the MNC, based on the work of Ambos et al. (2006) and Driffield, Love, and Yang (2016).

FOCUS OF THE ARTICLE

The main focus of this section is to address RKTs based on the main groups referred in the introduction.

Subsidiaries' Characteristics

This subsection analyzes the subsidiaries' characteristics, bringing into focus the subsidiary's elements that influence the success of RKT such as autonomy, capacity and willingness, age, influence, strategic role, entry modes, location and embeddedness.

Autonomy

The autonomy of a subsidiary determines the degree to which it has the power to decide on MNC's strategic issues. As autonomous subsidiaries can exploit their business and local market opportunities by taking advantage of external sources of knowledge, they normally engage in more RKTs vis-à-vis less autonomous subsidiaries (Silveira, Sbragia, Lopez-Vega, & Tell, 2017). Regarding the use of coordination mechanisms, Rabbiosi (2011) demonstrated that when subsidiaries are more autonomous, choosing technological coordination mechanisms is a better option.

Capability and Willingness

In order to understand the subsidiary's capability to transfer new knowledge, HQs' managers should evaluate the adequacy of training routines and performance appraisals, the degree of the subsidiaries' formal integration, and the frequency of communication between subsidiaries and HQs (McGuinness, Demirbag, & Bandara, 2013), as the perceived capability of the subsidiary has a significant positive impact on RKT (Nair, Demirbag, & Mellahi, 2016).

The motivation or willingness of the subsidiary's employees to transfer knowledge has a positive impact on RKT. This motivation depends on: good human resource management practices (particularly compensation and promotion systems); the degree of informal integration of the subsidiary, the frequency of communications between HQs and subsidiaries (McGuinness et al., 2013); the extent of external embeddedness; and shared values between HQs and subsidiaries (Najafi-Tavani, Giroud, & Sinkovics, 2012).

Additionally, RKT may benefit more from subsidiaries with corporate language proficiency (Pelto-korpi, 2015).

Age

Generally, older subsidiaries transfer more strategic knowledge to the MNC when compared to the younger ones (Rabbiosi & Santangelo, 2013; Silveira et al., 2017), as older subsidiaries have more information, resources, R&D skills, experience, as well as better integration with the HQs. However, sometimes the participation in RKT is higher for younger subsidiaries, since they adapt faster to the demands of the

markets and to the organizational contingencies of the MNC (Silveira et al., 2017). Moreover, the positive link between age and knowledge relevance depends on the entry mode of the MNC, which means that acquired subsidiaries and/or majority-owned joint ventures are better off than Greenfield subsidiaries in RKT (Rabbiosi & Santangelo, 2013).

In addition, for young subsidiaries it is important to adopt socialization mechanisms to improve especially internal embeddedness (Najafi-Tavani et al., 2012). Moreover, in old subsidiaries there is a positive relationship between internal and external embeddedness and RKT (Najafi-Tavani et al., 2012).

Internal and External Embeddedness

As subsidiaries are normally created to explore and develop knowledge and competences on foreign markets, external or local embeddedness with suppliers and customers, as well as internal embeddedness between the subsidiaries and the HQs, are essential for both the development of MNCs' strategic knowledge MNCs and successful RKTs (Najafi-Tavani, Zaefarian, Naudé, & Giroud, 2015; Silveira et al., 2017). Thus, the information about local market collected by the subsidiaries has a positive impact on mechanisms of formalization, integration and socialization (Jeong, Park, & Chae, 2017).

Influence

Studies have shown that transferring more knowledge contributes to the subsidiaries' influential power on the MNC's strategic future. The increase in the power of subsidiaries is important, since they become more autonomous, maintain a relationship of trust with HQs and get more attention from the parent company. Enhancing subsidiaries' influence is also fundamental to HQs, because it is easier to obtain specific and local knowledge from the subsidiaries (Najafi-Tavani et al., 2015). The subsidiary's ability to exert influence on corporate strategic decisions strongly depends on its contribution to the HQs' knowledge base. Furthermore, the relationship between internal and external embeddedness and influence is mediated by the knowledge developed by the subsidiary and RKTs (Najafi-Tavani, Giroud, & Andersson, 2014).

Location

As most developed countries have infrastructural conditions, business support institutions and legal environments favorable to internationalization, it is understandable that subsidiaries located in developed countries create and transfer more knowledge compared to subsidiaries in developing countries (Ambos et al., 2006; Rabbiosi, 2011; Silveira et al., 2017). In the same vein, RKTs are most beneficial when the country of the knowledge sender has more competitive strength than the country of the knowledge recipient (Ambos et al., 2006). Conversely, the location of the subsidiary may have a negative effect on the relationship between knowledge relevance and RKT market (Yang et al., 2008).

According to Gupta and Govindarajan (2000), the economic level of a country affects the perception of value that the HQs have of knowledge accumulated and created by the subsidiaries of that country (Li, Barner-Rasmussen, & Björkman, 2007). With this in mind, subsidiaries located in more developed countries transfer more knowledge to other corporate units compared to the knowledge transferred by subsidiaries of less developed countries. Moreover, social interaction, trust and shared vision are more prominent in subsidiaries in less developed countries (Li et al., 2007). However, the relationship between

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the social interaction and the location of the subsidiary is not relevant, because social interactions do not necessarily lead to a greater learning capacity, as was the case of Chinese subsidiaries (Li et al., 2007).

In addition, the level of a country's economic development and the strength of its institutional structures have a positive effect on the MNC's performance, through RKT, especially in countries where there is a prominent protection of intellectual property rights (Driffield et al., 2016).

Entry Modes

Concerning the entry modes, the subsidiaries' productivity effect on the parent company's performance is greater in acquired subsidiaries, particularly when there are similarities in the industry they are operating. The only case in which subsidiaries upstream of the HQs' supply chain generated significant productivity effects on the parent company are those subsidiaries specialized in R&D activities (Driffield et al., 2016).

In order to compare the subsidiary's innovation capacity and entry mode, it should be borne in mind that for low levels of innovative capacity, Greenfield subsidiaries transfer more knowledge than acquired subsidiaries. This is explained by the fact the language, culture, routines and organizational characteristics of newly created subsidiaries are compatible with those of the HQs. This contrasts with the behavior of acquired subsidiaries, which still need to get integrated into the internal network of the MNC to overcome the incompatibilities that may exist. On the other hand, as acquired subsidiaries are already incorporated in the local network, they can transfer more knowledge than the Greenfield subsidiaries, which still need to invest time and money in the development of a local network (Mudambi, Piscitello, & Rabbiosi, 2014).

Strategic Roles

Subsidiaries can assume one of four strategic roles, regarding the behaviors and patterns of knowledge flows (Gupta & Govindarajan, 1991): Global Innovators; Players; Local Innovators; and Implementers.

Subsidiaries behave as Global Innovators when they are the main source of knowledge for the other organizational units. When subsidiaries create knowledge, but are not self-sufficient in terms of their creation, they behave as Players. Implementers are those subsidiaries that invest little in the creation of knowledge and strongly depend on knowledge transfers from HQs or other subsidiaries. Finally, Local Innovators are subsidiaries that are responsible for generating almost all their local know-how (Gupta & Govindarajan, 1991). Generally, Players tend to transfer more beneficial knowledge to HQs than the other subsidiaries (Gupta & Govindarajan, 1991; McGuinness et al., 2013).

Conversely, in order to draw conclusions about the subsidiaries that transferred more knowledge to HQs Rabbiosi (2011) relied on the three roles of the subsidiaries, identified in Ghoshal's (1986) doctoral thesis: Implementer; Contributor; and Innovator. Implementer subsidiaries are units that adapt products to local market needs. Contributor subsidiaries usually take advantage of MNC's knowledge. Finally, Innovator subsidiaries are normally established to increase or create new technological skills for the whole MNC. Rabbiosi (2011) concluded that Contributors and Innovators subsidiaries transfer more knowledge to HQs than Implementers.

Knowledge Characteristics

This subsection addresses the content that is being transferred in terms of its complexity, relevance and explicitness, which is also essential to understand how RKT happens.

Complexity

As a result of the increasing specialization and sophistication of R&D activities, companies need to acquire and relate knowledge of very different areas to develop new products according to the different variety of markets, which makes knowledge more complex. Nevertheless, studies involving Brazilian MNCs have shown that the complexity of knowledge has a positive impact on RKT, because in spite of complex knowledge transmission involving more costs and barriers, RKT will be transferred anyway as it is the most valuable type of knowledge for HQs (Silveira et al., 2017).

Relevance

Knowledge relevance has a positive impact on RKT (Driffield et al., 2016; McGuinness et al., 2013; Nair et al., 2016). The relevance of knowledge transferred may be influenced by the subsidiary's country, as developed countries tend to transfer more strategic relevant knowledge to the HQs (Yang et al., 2008). The degree of firm's centralization (McGuinness, Demirbag, & Bandara, 2013) and the use of formalization integration and socialization mechanisms affect positively the relevance of knowledge created (Jeong et al., 2017; McGuinness et al., 2013). Consequently, if the knowledge transferred by subsidiaries is seen as of added value to the HQs, the subsidiaries' capability will be recognized (Nair et al., 2016) and take advantage of the market knowledge acquired by the subsidiaries (Jeong et al., 2017).

Explicit and Tacit

As tacit knowledge is more abstract and contextualized, it is more difficult to articulate and transfer (Crespo et al., 2014), which can weaken RKT (Ishihara & Zolkiewski, 2017). Although tacit knowledge cannot generally be taught, it may nevertheless be easily transferred through job rotation, training, storytelling, and forums (Rollett, 2003). As a result, MNCs need to invest to make tacit knowledge explicit as it is vital to the success of RKT, especially when cultural distance is small (Crespo et al., 2014).

Relationship Between HQs and Subsidiaries

Studies have generally paid more attention to the HQs side when investigating RKT. However, in order to complement this knowledge, it is pertinent to study the relationship between the two actors participating in these knowledge transfers. This section addresses not only how the HQs control and manage the subsidiaries, in the matter of coordination or control mechanisms and RH practices, but also the capacity of each part to absorb and disseminate knowledge, as well as the distance between the parties.

Absorptive and Disseminative Capacities

The success of RKT is positively related to the parent's absorptive capacity (Ambos, Ambos, & Schlegelmilch, 2006; Nair, Demirbag, & Mellahi, 2016), which depends on the establishment of a positive learning environment, a technical knowledge infrastructure (Nair et al., 2016) and the use of formalization, integration and socialization mechanisms (Jeong et al., 2017). This is important for the competitive wellbeing of MNCs as previous knowledge affects the degree of receiver's absorptive capacity (Ambos et al., 2006; McGuinness et al., 2013).

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In a complementary perspective, Ishihara & Zolkiewski (2017) revealed the importance of heeding capacity – i.e. HQs' ability to overcome cultural and linguistic barriers through willingness and active listening – vis-à-vis disseminative capacity for the reverse knowledge transfer, especially when the subsidiary's disseminative capacity is weak – namely, when they are not proficient in English, for example (Ishihara & Zolkiewski, 2017).

In addition, the commitment of HQs can moderate the relationship between communication media richness and the RKT itself (Peltokorpi, 2015). There is also evidence to confirm the positive relationship between the HQs' absorptive capacity and the market knowledge application (Jeong et al., 2017).

Beyond absorptive and disseminative capacities, other characteristics of receivers and senders need to be highlighted, namely their communication competencies, the personal relationships they established, knowledge previously acquired and individual learning styles as they influence success of RKT (Rollett, 2003).

Distance

Distance has been studied to explain the knowledge transfer process in a multinational context. This construct can be divided into four categories: cultural, linguistic, economic, geographical and relational distance.

Cultural, linguistic and geographical distances affect the use of personal mechanisms of coordination, because they may involve people from different cultural backgrounds. On the contrary, the technological mechanisms and their code nature do not influence the knowledge transfer effectiveness between distant multinational units, since when the content is codified and transferred by computers, context is not really relevant (Ambos & Ambos, 2009).

Although there is evidence that economic and physical distances reduce the positive impact the subsidiary's performance has on the parent company (Driffield, Love, & Yang, 2016), the geographical distance does not have a clear impact on the effectiveness of RKT and does not represent a constraint to social and organizational relationship building between the two corporate units, thus, not influencing the cultural and relational distance (Jasimuddin, Li, & Perdakis, 2015).

In spite of being evidence proving that the greater the cultural distance, the lower the RKT (Crespo et al., 2014; Jasimuddin et al., 2015), other studies could not validate this relationship (e.g. Ambos et al., 2006). Complementarily, the relational distance between HQs and subsidiaries also negatively affect knowledge transfers (Jasimuddin et al., 2015).

Expatriates

There is no doubt that expatriation (also known as corporate expatriation) and repatriation involve transferring an executive from HQs or a subsidiary to another subsidiary of the company, located in a different country (Dobrai, Farkas, Karoliny, & Poór, 2012). The latter involves the inverse process of expatriation as it corresponds to the first job of an individual/manager after returning from an international assignment, that normally does not last more than two years – which can play a crucial role in the RKT process.

Expatriation can be short- or long-termed. The capability to transfer knowledge is higher if the expatriation program is short-termed (less than a year, one to two weeks, or involving frequent trips). These short experiences allow employees to acquire more knowledge and global competencies, making them better teachers/trainers. However, motivation and will is higher when the expatriation program is long-termed, as long periods of time at a foreign subsidiary allow expatriates to have more autonomy

and accountability in terms of performance and to show more commitment and willingness to perform a better job (Minbaeva & Michailova, 2004).

The knowledge transfer depends on the expatriates' ability and motivation, disseminative capacity, technological and management competencies (Dobrai et al., 2012). However, the knowledge characteristics, the receivers' absorptive capacity and the relationship between sender and receiver are also important (Dobrai et al., 2012). From another angle, the RKT of repatriates is also positively influenced by their disseminative capacity, which is related to the level of acquired knowledge and the company's whole international assignments policy. However, the firm's help and support during the expatriation and/or repatriation processes does not affect knowledge transfer (Sanchez-Vidal, Sanz-Valle, & Barba-Aragon, 2016).

Frequency of Communication

As the communication between organizational units become more frequent, the higher the ability to process information crucial to innovation processes and, consequently, the better the knowledge transfer (Crespo et al., 2014; Gupta & Govindarajan, 1991; McGuinness et al., 2013).

Coordination Mechanisms

The relationship between subsidiaries and HQs can be easier should they use coordination mechanisms, which can be personal or electronic. The personal coordination may involve the participation of subsidiaries' management within international teams or projects, staff transfer and the organization of committees and meetings (Rabbiosi, 2011). These are crucial to the routine coordination of all operational units (Ambos & Ambos, 2009). The electronic mechanisms allow all employees to codify, store and access knowledge. Their main purpose is to maximize resources that are incorporated in a unit's network separated by time and space. The electronic mechanisms use infrastructures that include tools such as business intelligence, coordination software, organizational learning and knowledge mapping (Ambos & Ambos, 2009). According to Ghoshal (1986), subsidiaries characterized as 'contributors' and 'innovators' transfer more knowledge to the HQs. As such, more personal mechanisms of coordination should be implemented in innovator and contributor subsidiaries. The electronic mechanisms should be used especially in contributor subsidiaries, which experience less autonomy than the others (Rabbiosi, 2011).

Taking into account Bartlett and Ghoshal's (1990) typology, when MNCs resort to innovations generated by their subsidiaries, MNCs tend to use resources and capabilities of their geographically dispersed units, which contribute to the developments of the MNC's competitive position. As such, knowledge involves a world-wide scientific and technological expertise in geographically dispersed units that needs to be coordinated.

Finally, the extent of shared values between the subsidiaries and HQs (Najafi-Tavani et al., 2012) and the communication media richness (Peltokorpi, 2015) affect RKT. The implementation of socialization mechanisms improves the relationship between a subsidiary and its parent company, the amount of shared values for both young and old subsidiaries, and also the extent of RKT themselves (Najafi-Tavani et al., 2012). Parent companies can benefit more from RKT if they use socialization mechanisms with older subsidiaries (Rabbiosi & Santangelo, 2013). The use of socialization mechanisms may improve the extent of internal embeddedness for both acquired and Greenfield subsidiaries (Najafi-Tavani et al., 2012).

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Control Mechanisms

According to Ghoshal and Bartlett (1990), managing the interorganizational network within the MNC is a very complex task as there are different networks within the MNC. Moreover, there are also different control mechanisms and levels of formalization.

Centralization is a control mechanism of the HQs on the subsidiaries, which restricts the decision-taking to the HQs. Formalization allows the HQs to implement decision-taking power using strict routines, rules and procedures (Gupta & Govindarajan, 1991).

When these types of mechanisms are used, the communications between HQs and subsidiaries are more frequent (Crespo et al., 2014) and very important when RKTs are at stake especially involving different degrees of innovative activities among hierarchies (Bartlett & Ghoshal, 1990).

Human Resources Practices

Human resources (HR) play an important role in knowledge management. The most important HR practices related to knowledge management are the ability to assure personal credibility (such as achievement of goals and communication competencies), the change of management capacities/competencies and the appropriate business knowledge HR possess (Dobrai et al., 2012). As such, it is not usual to rely on external service providers to provide HR's functions related to knowledge management in MNCs as those functions depend on the ability and motivation of the person to transfer knowledge as well as on his/her communication skills. As a result, the training and local development (provided in the subsidiary) and informal workplace learning are the most effective learning methods (Dobrai et al., 2012).

It should be highlighted that the more similar the practices used both within HQs and subsidiaries, the greater the effectiveness of the knowledge transfer (Ambos & Ambos, 2009).

Outcomes

Benefits to the MNC's Knowledge Base

There are several benefits in transferring knowledge across the MNC. The knowledge most frequently transferred is marketing know-how, followed by the distribution and technological know-how. However, the most valuable knowledge to HQs is the customers and competitors' market-related information, which is less transferred (Ambos et al., 2006), perhaps because it is based on tacit knowledge. However, R&D and marketing knowledge can be also considered as the one that brings more benefits to the parent company (Rabbiosi & Santangelo, 2013).

Knowledge itself influences the RKT within the MNC as this influences the degree of innovation, the level of multinationality, and the social capital, especially the internal social capital, of the MNC (Jiménez-Jiménez, Martínez-Costa, & Sanz-Valle, 2014). As such, it is more important to study the benefits of knowledge transfer than just the knowledge flows (Ambos et al., 2006).

Performance and Productivity

Another way to check the positive results of RKT is looking at the MNC's results/outcomes, for example total factor productivity, turnover, capital and employability, among other factors. By doing this, Driffield et al. (2016) concluded that the subsidiary's productivity has a positive impact on the HQs' performance.

SOLUTIONS AND RECOMMENDATIONS

MNCs compete in broad resource and product/service markets and stretch out through various countries, involving people and different ways of doing business. Knowledge is an important intangible competitive advantage that MNCs need to manage properly across the countries where they have subsidiaries. Moreover, as subsidiaries play different roles, and as countries have different factor endowments HQs have to manage not only knowledge within the corporation, but also the reverse knowledge transfer from subsidiaries to HQs.

The literature presented in this article unveils some issues and problems in the RKT processes, such as the subsidiary's age, location and entry mode and distance between corporate units in many above-mentioned dimensions.

With this in mind, this section puts forward some recommendations directed to MNC's management.

Early-created subsidiaries should receive training, so they can be quickly embedded within the MNC's modus operandi, which needs to be a continuous organizational learning culture. All subsidiaries, specially the older ones need to foster knowledge transfer capabilities and should be ready to welcome and transmit their knowledge to the new employees.

In addition, a knowledge management system should be officially created to manage the knowledge transfers, assure the frequency of communication, increase internal embeddedness, develop knowledge performance indicators and monitor them. This knowledge management system must include control, coordination and socialization mechanisms, of both personal and technological natures. Periodic electronic reports, development of communities of practice and annual summits would help subsidiaries and their key stakeholders be on the same page, thereby benefiting the MNC's overall success. The experiences' exchange between old subsidiaries, young subsidiaries and the HQs can be fruitful for the establishment of relationships and competition pertaining cultural, economic and relational distances.

The development of 'glocal' HR practices must be included, increasing the disseminative capacity of all subsidiaries and enhancing the knowledge's quantity and relevance, promoting the RKT from subsidiaries located in developing countries and increasing the market application of transferred knowledge.

Finally, expatriates must be encouraged to share their lively experiences, since they have more ability to transfer knowledge in a short-term basis. When returning, active training and experience exchange should be done, so that the MNC can take advantage of the relevance and uniqueness of the expatriates' knowledge and the expatriates' willingness to transfer knowledge.

FUTURE RESEARCH DIRECTIONS

RKT is crucial to build relevant organizational knowledge and its adequate management will certainly help MNCs to succeed overseas. Knowledge comes from all the people involved within the MNC and technologies (including social networks) can help HQs and subsidiaries to monitor what is new in which subsidiary. This would allow the development of a market, competitive and resource intelligence knowledge repositories that would enable the MNC to deal with a global mindset and an evolving-oriented culture.

Although Kogut & Mello (2017) refer that the studies using quantitative methodologies have a predominant presence in this research area, due to the cultural and individual differences that may influence the results, the adoption of qualitative methodologies, such as multiple case studies and in-depth interviews, may be a sign of detailed, substantial and context-specific descriptions about knowledge transfer practices and processes, thus increasing the understanding of reverse knowledge transfer.

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Finally, as knowledge and knowledge management have a pervasive effect on competitive advantage, it would be advisable to extend research on RKT and MNCs beyond the confinement of the business, management and economics arena including studies on HR management (Dobrai et al., 2012; Minbaeva & Michailova, 2004), computer science, and information management.

CONCLUSION

Within the MNCs, RKT research is becoming more and more important. Knowledge is the best source of continuous competitive advantage and subsidiaries need to be seen as centers of unique strategic knowledge, crucial for the MNC to be competitive worldwide.

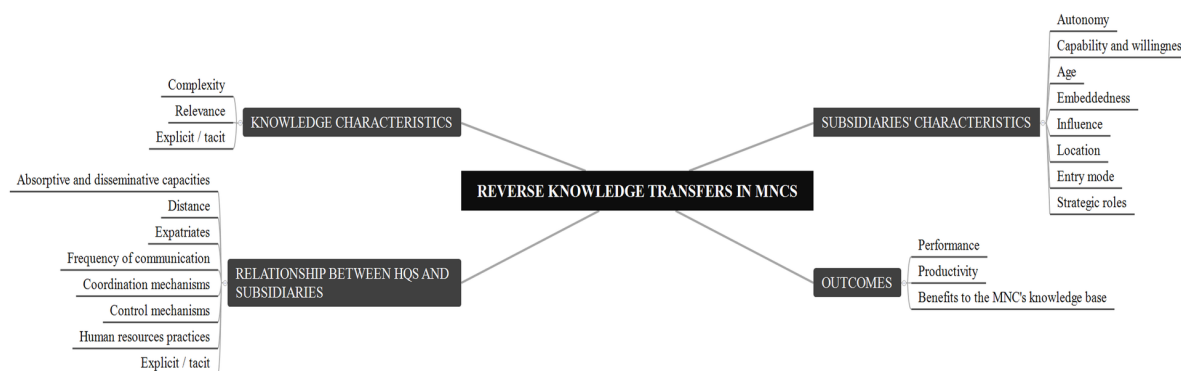
Several subsidiaries’ characteristics are important when studying RKTs. Subsidiaries that have more autonomy and participate actively in strategic decision making are naturally more willing and capable to transfer knowledge to the HQs. The entry mode chosen by the HQs to penetrate foreign markets may also dictate the success of RKTs, as acquired and Greenfield subsidiaries contribute to the multinational knowledge in different manners.

Generally, the larger the subsidiaries, the more knowledge they transfer. Moreover, larger subsidiaries also transfer knowledge more frequently than other types of subsidiaries. Location is a relevant fact, since it has been proven that subsidiaries from developed countries tend to take part in knowledge transfer process.

In addition, the type of subsidiary is important as not all subsidiaries behave alike in transferring knowledge. For example, regarding the degree of knowledge creation, Contributors and Innovators are among the subsidiaries that reversely transfer more knowledge. The subsidiary’s external (with the market) and internal (with the HQs) embeddedness is also an important factor of influence.

Concerning the relationship between HQs and subsidiaries, the HQs’ absorptive and heeding capacities, as well as the subsidiary’s disseminative capacity should be improved so that the likelihood of RKT is successful. As cultural, geographical, economic and organizational distances create a barrier to overseas communication, MNCs need to deploy the use of personal and technological coordination mechanisms. However, results relating distance are not coherent, thus it is important to highlight the need to understand and explain the situational and geographical context and its implications. A good example is the research paper of Li et al. (2007), in which two different countries are compared: Finland and China. HQs may

Figure 1.



implement expatriation programs and control mechanisms (formalization and centralization) to increase, for example, the frequency of communication, which represents a positive effect on RKT. The adoption of 'glocal' HR practices might be an option for MNCs to establish an organizational learning culture globally. The practices would be similar for all the operational units. At the same time, MNCs need to respect the local learning methods in order to develop broad, plural competencies.

In spite of being more complex and tough to transfer, tacit knowledge might be more strategically relevant than explicit knowledge. With this in mind, MNCs should try to find ways to explicit the tacit knowledge. However, explicit knowledge is also beneficial to RKT.

Finally, as Ambos et al. (2006) stated, the benefits of RKTs should be highlighted, since these are the reasons MNCs perform RKT in the first place.

Figure 1 summarizes the main factors that impact RKTs within MNCs, as shown in this chapter.

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KEY TERMS AND DEFINITIONS

Absorptive Capacity: An ability of a person who recognizes the value of knowledge already acquired and link that to new information and its usefulness.

Corporate Language Proficiency: Degree to which a person can speak, write, and understand the most used language within the business (mostly English).

Cultural Distance: Represents differences between people from diverse cultural backgrounds and the way it affects their relationship. Language, religion, racial or ethnic origin and traditional costumes and values are examples of factors.

Disseminative Capacity: An ability of a person who can spread the information in the best way possible for the receiver to understand it, through face to face and/or through a technological device or network.

Explicit Knowledge: A type of knowledge that is formal and systematic. It consists of the description of facts, concepts, and relationships. It is easily communicated and shared through documents, procedures, and software.

Glocal Human Resource Management: A MNC's ability to focus on the characteristics of a global organization, and also to adapt human resource practices to the local markets and/or cultural characteristics of the subsidiaries.

Heeding Capacity: HQs' ability to overcome cultural and linguistic barriers through willingness and active listening.

Section 11: Knowledge Management

Multinationality: It is normally associated to firms that produce and sell goods in different countries. A degree that evaluates in how many different countries (and cities within those countries) a multinational organization establishes business relationships.

Relational Distance: Lack of personal or trust bonds between the employees within one or between two corporate units of an organization.

Tacit Knowledge: A set of as skills, ideas, and experiences that people have but are not codified. It is the type of knowledge that is complex, diffused, ingrained in the people of the organization. It is related to technical skills and know-how, but also to mental models, beliefs and perspectives.