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Evolutionary and Power Perspectives on Headquarters-Subsidiary Knowledge Transfer: The Role of Disseminative and Absorptive Capacities

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Evolutionary and Power Perspectives on Headquarters-Subsidiary Knowledge Transfer

The Role of Disseminative and Absorptive Capacities

by

Ieva Martinkenaite-Pujanuskienė

A dissertation submitted to BI Norwegian Business School
for the degree of PhD

PhD specialisation: Strategic Management

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BI Norwegian Business School

Ieva Martinkenaite-Pujanauskienė

Evolutionary and power perspectives on headquarters-subsidiary knowledge transfer: The role of disseminative and absorptive capacities

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Abstract

Through longitudinal case studies of headquarters-subsidary knowledge transfer, I explore knowledge sender and receiver capabilities, and the underlying micro-mechanisms that have implications on knowledge transfer processes and outcomes over time. The knowledge transfer phenomenon between parent firm headquarters (HQ) and subsidiaries has received a substantial amount of research attention over the last decades. Even so, knowledge of firms' disseminative and absorptive capacities and the mechanisms through which they interact and shape knowledge transfer is lacking. This doctoral thesis aims to contribute to our understanding of the strategic, relational and political nature of sender and receiver capabilities, and their implications on HQ-subsidary knowledge transfer in multinational corporations (MNC).

This thesis consists of four research papers and their findings point to evolutionary dynamics of HQ-subsidary knowledge transfer where power and politics play an important role. Most studies have looked at MNC knowledge transfer processes at one point in time. Using a longitudinal case study design, I find that the amounts and the types of transferred knowledge change over time. Headquarters-subsidary knowledge flows vary with strategic opportunities, but also with changing abilities and motivations to disseminate and absorb knowledge. Whereas most studies of MNC knowledge transfer focus on the recipient, I demonstrate that sender-receiver interactions matter, and explain how these interactions influence HQ-subsidary knowledge transfer processes and outcomes over time.

I studied the headquarters-subsidary knowledge transfer processes in the context of post-acquisition integration where power and politics play an important role. My data shows that power imbalance between parent firms and their newly acquired targets influence the type, the timing and the amount of knowledge transfer through power balancing actions. Political strategies and influence tactics of the acquiring and target firms differ in conventional (acquirer to target) and reverse (target to acquirer) knowledge flows, and generate distinct knowledge outcomes. In this thesis, I develop a new conceptualization of headquarters' disseminative capacity that refers to political capability of the parent firm to influence change in the behavior and attitudes of the subsidiary and, ultimately, gain and preserve power. This constitutes a novel way of looking at the headquarters' role in intra-MNC knowledge flows through which a competitive advantage can be gained and sustained.

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Oslo, December 2014

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1 Introduction

Transfer of knowledge is fundamental to achieving and sustaining a competitive advantage for multinational corporations (MNCs) (Bartlett and Ghoshal, 1989; Gupta and Govindarajan, 1991). Internal transfers of knowledge, either in the form of know-how (e.g., skills, routines) or information (e.g., external market data), fosters new product development, facilitates strategic renewal, helps to create global solutions and solve the knowledge deficit problem within dispersed MNC networks (Kogut and Zander, 1993; Verbeke, Bachor, and Nguyen, 2013). A strategic imperative for parent firm headquarters¹ (HQ) has become to promote, coordinate and sustain inter-unit exchanges of unique knowledge assets and capabilities that are embedded locally (Chandler, 1991; Birkinshaw *et al.*, 2006). Beyond their discretion to distribute decision-making rights and allocate necessary resources for knowledge exchanges among peers (Ghoshal and Bartlett, 1988), HQ also engage in knowledge transfers directly with the aim to implement strategic changes, diffuse corporate culture throughout the organization and enhance coordination capability (Kostova and Roth, 2002).

Increasing external and internal embeddedness of subsidiaries (Mudambi, Pedersen, and Andersson, 2014) and their resistance to HQ-driven changes (Tsang, 2008) influence headquarters' involvement in knowledge transfer, which has changed substantially over the past decades. From being mainly transferors of MNC knowledge to value-exploiting subsidiaries, HQ also became knowledge receivers and “orchestrators” of knowledge flows among the subsidiaries (Mudambi and Pedersen, 2007; Dellestrand, 2011). These developments drive HQ managers to maneuver between internal (corporate) and external (subsidiary) innovation development and transfer processes. The use of power in overcoming subsidiary resistance and influencing changes throughout the MNC is also salient. Put differently, headquarters' engagement in MNC knowledge transfer has become more strategic and political (Ciabuschi, Forsgren, and Martin, 2011), yet there is still limited understanding of how that role is played out and evolves over time. This thesis explores how knowledge is transferred from headquarters to subsidiaries (and newly acquired units) over time, and what role do sender and receiver capabilities play in that process.

Mergers and acquisitions (M&As)² are perceived as an attractive means to acquire knowledge and transfer it throughout the MNCs because they provide rapid access to unique knowledge

¹ I use the terms ‘headquarters’ (HQ), ‘corporate headquarters’ and ‘divisional headquarters’ interchangeably in this thesis. Corporate HQ include staff functions and executive management with responsibility for the whole (or most of) the company (Collis, Young, and Goold, 2007). They represent a legal domicile of the MNC, are focused on the external environment and stakeholders of the company (Birkinshaw *et al.*, 2006). Divisional HQ (also known as regional, business unit and functional headquarters) refer to the executive management of MNC responsible for a functional activity or for a specific group of units performing similar activities and/or operating within a given geographical region. They are involved in integration and coordination of MNC activities within its scope of responsibility, operate closer to subsidiary business networks, and are more sensitive towards internal organization (Schutte, 1998; Benito, Lunnan, and Tomassen, 2010; Dellestrand, 2011).

² The terms ‘merger’ and ‘acquisition’ are used interchangeably throughout this Thesis. However, they are not synonyms, and ‘acquisition’ is used as the main concept throughout this thesis since it reflects the empirical context better (see case descriptions in the *Method* section). An acquisition implies a takeover of the already existing company by another, which assumes control over its business and has a majority interest in it (Kogut and Singh,

assets and capabilities of the target firms and give parental control over these assets (Haspeslagh and Jemison, 1991; Ranft and Lord, 2002). Although there has been a notable increase in the use of M&As as a form of accessing both the markets and technological capabilities held by other firms (Dunning and Lundan, 2009), knowledge transfer has been largely disappointing for many of the acquiring and target firms (Schoenberg, 2001). Organizational knowledge is tacit, specific and complex (Reed and DeFillippi, 1990), and transferring it throughout the multinational corporation is costly and highly challenging for parent and subsidiary managers (Szulanski, 1996). In mergers and acquisitions, transfer of knowledge poses specific problems that are associated with the inherent uncertainty, cultural ambiguity and tensions between firms during post-acquisition integration (Bresman, Birkinshaw, and Nobel, 1999). In such contentious contexts, political strategizing (Geppert and Dörrenbächer, 2014) and discursive contestations (Vaara, Tienari, and Björkman, 2003) are the important aspects of knowledge transfer. However, our understanding of knowledge sender and receiver political strategies and influence tactics is still quite limited. The power mechanisms through which HQ-subsidiary (and acquirer-target) knowledge transfer processes emerge, develop and generate outcomes constitute an important part of this thesis.

In the strategic management and international business (IB) literature ‘knowledge’ has been defined in a number of ways, and various definitions fall under two fundamental, yet distinct conceptualizations: knowledge as a source of *newness* that contributes to gaining and sustaining a competitive advantage (Kogut and Zander, 1992), and knowledge as a source of *power* to influence change in the decisions, actions and perceptions of others (Mudambi and Navarra, 2004). Organizational knowledge, either in the form of expertise (‘know-how’) or information (‘know-what’) is a strategic asset because it is unique, valuable and difficult to imitate (Reed and de Fillippi, 1990; Zander and Kogut, 1995)³. Organizational knowledge can also be seen as less of an asset but more of a process (Becker-Ritterspach, 2006) through which people make sense of the existing information, based on their values and beliefs, social identities, relative power and status (Empson, 2001; Vaara, 2003). In this view, knowledge is not measured by the monopoly of rents that it earns but rather in terms of the changes that it leads to (Spender, 1996b). Changes are associated with the displacement of what was known previously by the organization (individuals and groups) rather than with the development of something new (Weick, 1991).

1988; Capron, 1999; Halebian and Finkelstein, 1999; Hagedoorn and Duysters, 2002). Acquisitions refer to the transfer of control of operations and management from one firm (target) to another (acquirer), with the former becoming an integral part of the latter (Peng, 2010).

³ Although I combine know-how and information (‘know-what’) into the conceptualization of organizational knowledge, I recognize a distinction between know-how, information, and data (Huber, 1991; Kogut and Zander, 1992; Boisot and Canals, 2004). Data refers to the events and facts ‘out there’, in the physical world, which are public and freely available. Information is context-specific and proprietary. It refers to regularities in the data that are recognized by organizational actors (e.g., specific patterns in external market data). Actors structure and give meaning to data, based on their experiences and values, as well as the firm’s culture, structure and strategic posture (Fiol and Lyles, 1985). Knowledge, thus, provides a contextual understanding of information or ‘what’ something means for the organization, and also refers to ‘how’ something is achieved in the organization (Kogut and Zander, 1992). The ‘how’ requires individual skills, functional competence, organizational capabilities and practices to choose and implement an appropriate course of action.

Alongside these lines, ‘knowledge transfer’ can be defined as a *learning process* from the experience of others (Argote, 1999) that involves exact or partial replication of sender’s knowledge in the recipient, often in the form of ‘best practices’ and with the aim to improve firm performance (Szulanski, 1996). Various communication mechanisms and managerial initiatives are used to increase transferability of knowledge - i.e., to ‘translate’ sender’s knowledge to fit the receiver’s context and get the receiver exposed to complex problem-solving (Pedersen, Petersen, and Sharma, 2003; Zhao and Anand, 2013). Knowledge transfer can also be seen as a *political process* during which actors give and make sense of what ‘best’ knowledge is and confront, negotiate and resolve issues about the purpose, the process, and the outcomes of transfer (Vaara *et al.*, 2003; Tsang, 2008). Transfer of knowledge is viewed as a form of social exchange (Emerson, 1962) which implies that actors transfer unique and valuable knowledge or withhold from it with the aim to increase or preserve power (Vaara *et al.*, 2003; Mudambi *et al.*, 2014). ‘Best practices’ serve as symbols of power imbalance between the actors, in a sense that they signal superiority of knowledge senders, making the knowledge transfer process subject to power struggles and political game-playing (Vaara, 2003; Geppert and Dörrenbächer, 2014).

In this thesis, I use strategic and power perspectives of knowledge and knowledge transfer, and this choice is driven by my empirical context and theoretical considerations. I studied HQ-subsubsidiary (and acquirer-target) knowledge transfer processes in transition economies of the Baltic States where knowledge gaps had to be filled in by more advanced foreign parents in early transition periods (Steensma *et al.*, 2005; Gelbuda and Meyer, 2006; Estrin and Meyer, 2011). As local subsidiaries became more mature and embedded in local networks, the primary role of HQ was to balance competence development processes in external subsidiary networks (Andersson, Forsgren, and Holm, 2002) with similar activities that were taking place in internal (corporate) networks. Essentially, this was a strategic process driven by strategic objectives of the parent firm and a search for fit with corporate strategy and structure of the MNC, which is common in HQ-subsubsidiary knowledge transfers (Bartlett and Ghoshal, 1989). Furthermore, I studied knowledge transfer processes during the periods of strategic change and post-acquisition integration, which are marked by power struggles and political game-playing of related parties (Vaara, 2003; Tsang, Nguyen, and Erramilli, 2004; Dörrenbächer and Geppert, 2009). In such contexts, knowledge to be transferred is strategic and managerial, and its transfer does not necessarily imply learning. Rather, it may denote HQs’ willingness to implement changes throughout MNCs, demonstrate their strategic authority and increase coordination capability (Kostova, 1999; Verbeke *et al.*, 2013). Based on the above, I define organizational knowledge as a *strategic asset* of the firm that carries value and judgement, which are temporal and relative to the competitive environment where knowledge is used (Kogut and Zander, 1992; Davenport and Prusak, 2000). Knowledge, as I argue, is also a source of *power* that knowledge sending and receiving units use to influence each other’s conduct and, ultimately, gain or preserve power. In turn, I conceptualize HQ-subsubsidiary knowledge transfer as a deliberate strategic and political process that manifests itself in sender and receiver actions, and their interactions. Transfer of knowledge from parent HQ to subsidiaries (and other units) is aimed at closing the knowledge gaps and also at enhancing or preserving power.

The concept of ‘knowledge transfer’ differs from that of ‘knowledge flows’ (Ciabuschi, Martin, and Stahl, 2010), and I use the term ‘transfer’ throughout this thesis⁴. There are several reasons behind this. First, the ‘knowledge transfer’ concept can capture the outcomes of transfer better, and as such, inform whether organizations have actually benefited from knowledge flows in the short- and long-run. Research focusing on knowledge flows has the implicit assumption that increased knowledge sharing benefits the MNC as a whole (Gupta and Govindarajan, 2000). However, this view disregards the notion that too much knowledge transfer may also be detrimental to some of the MNC units (Mahnke, Pedersen, and Venzin, 2006). Second, knowledge transfer is costly and not easily implemented (Szulanski, 1996), hence, focusing on knowledge ‘transfer’ may help to disentangle employee abilities, motivations and the actual transfer of knowledge, or failure to do so. There may be efforts made but not realized, and the actual absorption of knowledge may be ceremonial with low commitment and satisfaction (Kostova and Roth, 2002). As such, by focusing on ‘transfer’, I am able to capture sender and receiver actions and their interactions, which constitute the key part of this thesis. Third, in HQ-subsubsidiary (acquirer-target) knowledge transfer context that I observed, knowledge was managerial (strategic, procedural and coordinative) and mostly explicit or ready to be codified. Managerial knowledge is not embedded in products (technologies) or customers but rather in managerial processes and principles, standard operating procedures, coordination routines and ‘dominant logic’ (Kostova, 1999; Tanriverdi and Venkatraman, 2005). Knowledge transfer was purposeful, delimited in time and effort, with the explicit goal to have the parent firm’s knowledge adopted and used in the subsidiary and newly acquired business units. In such an empirical context, using the knowledge transfer concept is more appropriate.

Literature on intra-MNC knowledge transfer has, with some notable exceptions (e.g., Minbaeva, 2007; Verbeke et al., 2013) primarily focused on explanatory frameworks and predictors of the degree to which subsidiary units transfer knowledge (*cf.* Mustaffa and Michailova, 2013). This perspective is largely based on the resource-based and knowledge based view of the firm where organizational knowledge is viewed as a strategic asset upon which sustainable competitive advantage can be built (Kogut and Zander, 1992; Grant, 1996). Little is known about HQs’ direct involvement in knowledge transfer to local subsidiaries, despite the increased assertiveness by the HQ to control knowledge development processes in MNCs (Buckley, 2010; Verbeke *et al.*, 2013). During periods of disruptive changes in external and internal environments of MNCs (such as financial crisis in host country markets and corporate changes), HQs’ involvement in knowledge transfer may be critical. Parent firm HQ may take an active role in transferring managerial knowledge to local subsidiaries and other MNC units where their experience is high, and where the role of power and politics may be important.

The ‘sheer ignorance’ perspective (Ciabuschi *et al.*, 2011) may provide one possible explanation for low research attention to HQ-subsubsidiary knowledge transfer. Scholars suggest that HQ managers have inherent incapacity to understand, let alone, manage local knowledge exchanges (*ibid.*). While HQs are able to exert hierarchical authority to ensure transfer, they

⁴ Although the term “knowledge transfer” is mainly used throughout this thesis to denote the phenomenon, other terms are also used interchangeably, such as “knowledge flows”, “knowledge exchanges” and “knowledge use”.

lack the necessary skills and knowledge to effectively participate in the transfer process (Yamin, Tsai, and Holm, 2011). “Orchestration” of knowledge flows among subsidiaries is, therefore, more effectively conducted by regional and divisional HQ (Dellestrand, 2011; Lunnan and Zhao, 2014), and requires balancing between external (subsidiary) environment needs and internal (corporate) strategies. Essentially, knowledge transfer processes from HQ to subsidiaries are driven by strategic objectives of the parent firms in subsidiary markets that can range from strengthening firm specific assets to directing the development of knowledge assets in its ‘core’ areas of activity or developing internal capabilities for diversification purposes (Birkinshaw and Hood, 1998; Andersson and Holm, 2010). These strategic objectives entail HQs’ interest in building up knowledge assets and capabilities in the MNC that would help gaining and sustaining a competitive advantage. A strategic nature of HQs’ involvement also implies that knowledge transfer processes are dynamic and may change over time. However, studies into the pace and paths of change in HQ-subsidiary knowledge transfer are still lacking, and call for more longitudinal, qualitative research in this area (Reinholt, Pedersen, and Foss, 2011).

Based on the above, the overarching research question, which I explore in this thesis, is the following:

How do headquarters transfer knowledge to subsidiaries over time, and what role their disseminative and absorptive capacities play in knowledge transfer?

This thesis aims to contribute to the evolving literature on knowledge transfer processes in multinational corporations. In this thesis, knowledge transfer between HQ and subsidiaries (and newly acquired units) is seen as a strategic and political process, and conceptualized as a continuously evolving and changing phenomenon. This is a result of knowledge sender and receiver actions and their interactions, the underlying dynamics of power relations and changing strategic opportunities for knowledge transfer. Understanding the role of power and politics in HQ-subsidiary knowledge transfer and its evolutionary dynamics warrants a longitudinal, exploratory case study approach. Case studies address the ‘how’ and ‘why’ questions and account for organizational members’ interpretations of actions and events as they unfold over time in a particular context (Miles and Huberman, 1994; Langley, 1999). Further, in this thesis I explore ‘power’, ‘politics’ and ‘knowledge’ concepts that are elusive and socially constructed in interactions among individuals and groups (Spender, 1996a). Gaining insight into these sense-making processes requires an emic approach, understanding processes in organizations from the perspective of people (Vaara *et al.*, 2003). This also means that in order to understand evolutionary dynamics and political nature of HQ-subsidiary knowledge transfer process, it is necessary to study subsidiary strategies of the parent firm, the power relations between firms, and how these manifest in knowledge sender and receiver actions and their interactions. The four research papers of this thesis seek to understand these various aspects of HQ-subsidiary knowledge transfer by considering knowledge transfer as evolutionary (strategic) and political, in which knowledge senders and receivers play an important role.

The longitudinal data is gathered within two multinational companies that have established their local presence in the emerging economies of the Baltic States and served those markets through wholly owned subsidiaries and newly acquired business units⁵. One of my case study firms is a Norwegian real estate company, which has developed and operated a large part of its real estate portfolio in three Baltic States and Russia, primarily in hotel and shopping centre sectors since late 1990s. The issues of change and learning are highly appealing in foreign-local partnerships within these transition economies (Steensma *et al.*, 2005; Gelbuda and Meyer, 2006) and represent a good empirical setting to study the evolutionary dynamics of HQ-subsidiary knowledge transfer. In these economies, local learning is fast but also immature (Uhlenbruck, Meyer, and Hitt, 2003; Estrin and Meyer, 2011), and the need for strategic agility and flexibility on behalf of the foreign parents is high. The financial crisis of 2008-2009⁶, which hit those economies severely, redefined the roles of parent firm HQ and subsidiaries in knowledge transfer. More emphasis was put on HQ-driven change processes in the subsidiaries and balancing between internal and external competence development.

Another case firm is one of the world's leading and fastest growing hotel companies that has acquired control over the operations and management of ten hotels in the Baltic States and Russia, rebranded and integrated them into its global hotel portfolio⁷. Rebranding and integration processes implied transfer of new (global) brand standards and operating routines, new business concepts and management principles to newly acquired hotels. In the midst of high industry consolidation and consumer demands for global brand standards (Deroos, 2010), one of the major concerns for the global hotel operator was to ensure compliance with quality standards of its brands. Effective replication of MNC's 'best practices' was essential, and knowledge transfer processes involved a significant amount of unlearning (Tsang, 2008) of 'old' routines in newly acquired subunits. Knowledge was explicit and duplicative; both parties were successful players in respective markets, holding divergent perceptions of their relative status

⁵ Besides data collection in two multinational companies, I was also given access to the existing case data from one of the leading information technology (IT) service groups in the Nordic region that acquired the IT-operations unit from another multinational company in 2004 (see more in *Method*). This case data was used in the Paper 3 and analyzed together with one of the co-authors.

⁶ In 2008-2009 Lithuania, Latvia and Estonia (and most of other European economies) experienced periods of sharp economic recession as a result of global financial crisis. This is documented in GDP figures, consumer indices and other macroeconomic fundamentals. For example, Latvia's GDP declined by 13.9% in 2008 and 14.4% in 2009. Estonian economy declined by 18.3% in periods of 2008-2009. Retail turnovers in Latvia and Estonia dropped dramatically in 2009 (by -24.9% and -20%, respectively). [Sources: The Central Statistical Bureau of the Republic of Latvia www.csb.gov.lv, Bank of Estonia www.eestipank.ee/en, Colliers International <http://www.colliers.lt/en>]

⁷ This case illustrates a well-established practice in global hospitality industry, where property ownership and management of well reputed hotel brands is separated, and these arrangements are stipulated in hotel management agreements (Bader and Lababedi, 2007; Deroos, 2010). Under the hotel management agreement (hereinafter, HMA) between *NordCorp* (the owner) and *AcqHotel* (the operator), *AcqHotel* assumed management responsibility for 10 *TargetHotel* branded hotels in the Baltics and Russia, and gained long-term control over hotel operations. The HMA also stipulated that all 10 hotels had to be rebranded and integrated into the existing portfolio of *AcqHotel* member hotels. Given the operator's control of hotel business (e.g., new product development, marketing and sales, HRM) and having rebranding and integration as integral parts of the knowledge transfer process, I consider this case a post-acquisition knowledge transfer case and analyze it through the lens of post-acquisition knowledge transfer literature (Bresman *et al.*, 1999; Empson, 2001; Vaara *et al.*, 2003; Westphal and Shaw, 2005; Bjorkman, Stahl, and Vaara, 2007). A more thorough explanation is given in the subsequent sections of the thesis.

at the outset of the deal and experiencing high differences in power. In this context, the need for power balancing actions (Bouquet and Birkinshaw, 2008; Dörrenbächer and Geppert, 2009) was high and also evident in sender and receiver actions.

This thesis consists of four research papers, presented in chapters 5-8 that contribute to our understanding of the evolutionary and political nature of HQ-subsidary knowledge transfer, and build on each other in the following ways. Paper 1 (presented in chapter 5) consolidates and maps research of inter-organizational knowledge transfer in an integrative framework of the antecedents and consequences of transfer, where an important mediating role of knowledge acquisition is emphasized. A number of limitations and openings for further research are discussed that stand as a major motivation and a building block for studying HQ-subsidary and acquirer-target knowledge transfer processes in other thesis papers. Paper 2 (presented in chapter 6) explores how changes in firms' disseminative and absorptive capacities and strategic opportunities influence HQ-subsidary knowledge transfer processes and outcomes over time. The findings reveal that knowledge transfer is a temporary and non-linear phenomenon, and this is due to changes in subsidiary strategy of the parent firm that impact the abilities and motivations of HQ and subsidiary managers to engage in knowledge transfer. The study also shows that deliberate withdrawal from knowledge transfer by HQ creates positive implications to knowledge development processes in the subsidiary and enhances HQ-subsidary cooperation. Paper 3 (presented in chapter 7) examines the power mechanisms through which conventional and reverse knowledge transfer processes emerge and develop over time during post-acquisition integration. Power and power balancing actions in knowledge transfer by target and acquiring firms constitute the main focus of this paper. The findings demonstrate that different levels and sources of power imbalance between firms induce distinct knowledge transfer logics in conventional and reverse knowledge flows. The acquiring and target firms apply different political strategies and influence tactics when they transfer knowledge and absorb it, and their engagement in power balancing actions has positive implications on knowledge transfer. Paper 4 (presented in chapter 8) further explores the power mechanisms underlying HQs' disseminative capacity. In this theory-building study, disseminative capacity emerges as a political capability of the parent firm HQ to influence change in the absorptive actions and attitudes of the subsidiary through four power mechanisms - dominant coalition formation, legitimation, power demonstration and power institutionalization.

This thesis contributes to HQ-subsidary knowledge transfer, post-acquisition integration and organizational learning literatures. Theoretical implication to organizational learning literature is that I conceptualize disseminative and absorptive capacities of firms as dynamic and relational capabilities that influence the processes and outcomes of knowledge transfer. I maintain that firms' disseminative and absorptive capacities are complementary and relation-specific capabilities that are leveraged and develop in interaction where a particular 'learning chemistry' is built. This view implies that the firm (or its relevant business unit) (e.g., HQ) is not equally capable to transfer and acquire knowledge from all other firms (and units) (e.g., subsidiaries). Rather, the capacities to disseminate and absorb knowledge are "locked-in" a

particular relationship; they co-evolve and can even offset one another to ensure high knowledge transfer.

Further, I argue that disseminative and absorptive capacities change over time, and this has implications to HQ-subsidary knowledge transfer. Contrary to prior research, this study shows that limited knowledge transfer may sometimes be more valuable and reflect a deliberate strategy of the parent firm. Withholding HQ knowledge that appears less relevant for the subsidiary implies high disseminative capacity as it prevents HQ from using resources sub-optimally. I also extend the notion of ‘opportunity’ in HQ-subsidary knowledge transfer research. I demonstrate that beyond relational and structural opportunities, strategic opportunities are also important and emerge from subsidiary strategy of the parent firm in response to host country dynamics and corporate changes. Changing strategic opportunities trigger sender and receiver abilities to disseminate and absorb knowledge through motivation. My general premise is that parent and subsidiary units leverage their partners’ abilities to disseminate and absorb knowledge in some strategic contexts, but not in others.

In this thesis I also develop a new conceptualization of disseminative capacity which, I believe, addresses the motivations, abilities and actions of HQ managers more adequately. I demonstrate that disseminative capacity of the sender (HQ) denotes a political capability to influence changes in the behaviour and attitudes of the knowledge recipient (subsidiary). This is a novel way of looking at the sender’s role in knowledge transfer between high and low power actors. Further, my findings show that studying the extent and sources of power imbalance between acquiring and target firms is important as this may help to explain the power conditions under which post-acquisition knowledge transfer emerges in both directions or remain primarily conventional. My study also shows that target and acquiring firms apply different political strategies and influence tactics in conventional (*acquirer to target*) and reverse (*target to acquirer*) knowledge flows, and their engagement in political game-playing enhances knowledge transfer. These findings challenge a conventional wisdom arguing that power and politics inhibit knowledge transfer in M&As.

Among the implications to managers and business practitioners is the idea that taking a snapshot view on intra-MNC knowledge transfer (particularly between HQ and subsidiaries and during acquisition integration) may provide limited understanding. This view might not reveal the important political processes underlying knowledge transfer and influencing its outcomes over time.

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2 Theory

In this chapter, I provide a critical review of existing literature on HQ-subsidary knowledge transfer where I give a primary focus on sender and receiver capabilities, commonly known as disseminative and absorptive capacities. The role of power in knowledge transfer is discussed within the context of post-acquisition integration. The literature review offers a brief introduction into these key areas, highlighting the research gaps that I seek to fill in this thesis. I define the scope of the thesis and outline research questions that are discussed in more detail in the research papers.

2.1 HQ-subsidary knowledge transfer

A sender-receiver model of intra-MNC knowledge transfer has been widely used in the IB literature where four elements, or barriers, to knowledge transfer are disclosed: the properties of knowledge, the properties of knowledge senders and receivers, and the properties of their relationships (Minbaeva, 2007). In this thesis, I focus on sender and receiver capabilities in HQ-subsidary knowledge transfer. My central premise is that knowledge transfer from headquarters to subsidiaries (and other MNC units) is determined by their disseminative and absorptive capacities that emerge and develop over time through sender and receiver actions, and their interactions. Low disseminative capacity of the sender and low absorptive capacity of the receiver are portrayed as critical sources of “stickiness” in intra-MNC knowledge flows (Szulanski, 1996; Lane, Salk, and Lyles, 2001; Minbaeva and Michailova, 2004). A lack of capacity to absorb knowledge from the MNC unit, i.e., to recognize value, assimilate and apply it to commercial ends (Cohen and Levinthal, 1990) is considered one of the most critical barriers to intra-MNC knowledge transfer (Szulanski, 1996; Gupta and Govindarajan, 2000; Ahuja and Katila, 2001; Ranft and Lord, 2002). The notion of absorptive capacity implies that knowledge transfer does not automatically result in the assured learning outcome as MNC units need a set of capabilities to acquire and use knowledge from other units. Similarly, firms (and business units) need a capacity to disseminate knowledge, which is defined as the “ability and willingness of organizational actors to transfer MNC knowledge where and when it is needed in the organization” (Minbaeva and Michailova, 2004, p. 667). A firm’s capacity to articulate uses of its own knowledge, assess needs and capabilities of the potential recipient, and transmit knowledge so that it can be put to use in another location is considered crucial for the success of knowledge transfer in MNCs (Martin and Salomon, 2003).

In the following sections, I provide an overview of existing research on sender and receiver capabilities in three focus areas: dynamic and micro-level processes underlying disseminative and absorptive capacities, the power mechanisms underlying HQs’ disseminative capacity, and the role of power in post-acquisition knowledge transfer.

HQ-subsidary knowledge transfer as dynamic process: the role of strategic opportunities, disseminative and absorptive capacities

‘Motivation’, ‘ability’, and ‘opportunity’ are identified in the literature as key micro-level mechanisms underlying disseminative and absorptive capacities of MNC units (Argote, McEvily, and Reagans, 2003). Motivation refers to the willingness (or the degree to which an individual, or a group of individuals are inclined) to transfer and acquire knowledge (Chang, Gong, and Peng, 2012). It involves the direction, intensity and persistence of effort of knowledge senders and receivers to commit and engage in knowledge transfer, allocate necessary resources, and solve difficulties associated with transfer “stickiness” (Cohen and Levinthal, 1990; Lyles and Salk, 1996; Minbaeva, 2007; Chang *et al.*, 2012). Beyond motivation, individuals need the ability to transfer and absorb knowledge that involves prior related knowledge, job-related skills and experience (Cohen and Levinthal, 1990; Szulanski, 1996; Minbaeva *et al.*, 2003). These are needed to identify problems of knowledge use in the recipient and find their solutions, effectively articulate value of knowledge and recognize it, identify relevant channels of communication and find the optimal means to integrate and exploit knowledge in the local context (Lyles and Salk, 1996; Szulanski, 1996; Inkpen and Dinur, 1998; Pedersen, Petersen, and Sharma, 2003). Researchers also maintain that favourable opportunities need to be present for effective dissemination and absorption of knowledge among MNC units. Opportunities are defined as situational contexts outside of the control of senders and receivers, in which knowledge transfer events occur, and which enable or constrain transfer (Argote *et al.*, 2003). They refer to knowledge characteristics (Gupta and Govindarajan, 2000), network structures and positioning therein (Tsai, 2001; Reinholt, Pedersen, and Foss, 2011), and social ties among knowledge senders and receivers (Szulanski, 1996; Reagans and McEvily, 2003; Chang *et al.*, 2012).

Researchers suggest that the ability and motivation to share and absorb knowledge have joint effects on knowledge transfer implying that each variable has little, if any, impact unless the other variable is present (Larsson *et al.*, 1998; Minbaeva *et al.*, 2003; Minbaeva and Michailova, 2004; Reinholt *et al.*, 2011; Chang and Smale, 2013). In such analytical frameworks, the distinct roles and primary (direct) effects of motivations and abilities of sender and receiver units may be overshadowed, and this is particularly relevant for dynamic models that focus on the flows rather than stocks of knowledge. The ability to disseminate and absorb knowledge denotes teaching and learning potential, which is path dependent and cumulative. In contrast, motivation may shift fast depending on the strategic focus and context, and is generally less predictable that may appear and disappear at any time (Vroom, 1964; Cabrera, Collins, and Salgado, 2006). A research focus on partner abilities can help us capture the cumulative, evolutionary dynamics of organizational learning capabilities but it may tell us little about discontinuities and changes in MNC knowledge flows, such as those between HQ and subsidiary firms.

The widely discussed relational, structural and knowledge-related opportunities for knowledge sharing and learning behaviours can explain the actual transfer of knowledge, but they may not explain the triggers of knowledge dissemination and absorption. In the context of knowledge transfer from HQ to subsidiaries, strategic opportunities stemming from subsidiary strategy

may also be important (Yang, Mudambi, and Meyer, 2008). HQs' engagement in intra-MNC knowledge flows are driven by parent firm's strategic objectives in host country markets (Yamin, Tsai, and Holm, 2011). These could range from strengthening firm's specific assets to engaging in the development of knowledge assets in its 'core' areas of activity or developing internal capabilities for diversification purposes (Birkinshaw and Hood, 1998; Andersson and Holm, 2010). Since subsidiary strategy of the MNC is subject to external and internal (corporate) environment changes, strategic opportunities for HQ-subsidary knowledge transfer are likely to shift too. However, we still know little about how disseminative and absorptive capacities of HQ and subsidiary firms change over time, and how strategic opportunities in host and home country markets influence that change. Most studies of MNC knowledge transfer have looked at transfer processes at one point in time where knowledge transfer is assumed to be based on rather static individual and collective attributes of disseminative and absorptive capacities (Lane *et al.*, 2001; Minbaeva and Michailova, 2004). Studies into the pace and paths of change of knowledge transfer are still lacking, and call for more longitudinal, qualitative research in this area (Reinholt *et al.*, 2011).

Although intuitively both disseminative and absorptive capacities constitute a knowledge transfer event, integrative frameworks of these two organizational learning capabilities are limited in prior studies (with several exceptions, such as Minbaeva, 2007; Chang *et al.*, 2012). Either explicitly or implicitly, researchers assume that the problems of transfer are associated with *either* a knowledge seeker *or* due to some attributes of the knowledge source (Hansen and Nohria, 2004). Empirical studies that analyse sender and receiver interactions and consider their 'joint effects' on knowledge transfer are largely missing. This is rather surprising given that relationships between the knowledge source and recipient drive the ease and inform about the difficulties of inter-firm learning (Lane, Koka, and Pathak, 2006). When a dyadic nature of organizational learning is addressed, partner relatedness is found to facilitate knowledge transfer in MNCs (Lane *et al.*, 2001; Ambos, Ambos, and Schlegelmilch, 2006). However, mechanisms through which knowledge sender and receiver capabilities are leveraged and interact remain underexplored. Several studies suggest that employee ability, motivation and opportunity have complementary effects on knowledge sharing and learning behaviours within and across firms (Reinholt *et al.*, 2011; Chang *et al.*, 2012). Yet, a multiplicative function has never been rigorously validated (Bell and Kozlowski, 2002), and contradictory findings appeared in the literature witnessing that linear models explain knowledge transfer better than multiplicative models (Siemsen, Balasubramanian, and Roth, 2007). Given that a large part of MNC knowledge transfer studies rely on cross-sectional data (van Wijk, Jansen, and Lyles, 2008), the direction of causality between these micro-level mechanisms have not been fully substantiated. As such, we still lack understanding of how HQ-subsidary knowledge transfer processes emerge and develop over time, and what role do disseminative and absorptive actions, as well as their interactions, play in these processes. Based on the above, my first research question is:

RQ1: How do changes in disseminative and absorptive capacities and strategic opportunities influence headquarters-subsidary knowledge transfer over time?

Headquarters' disseminative capacity: the underlying power mechanisms

In the increasingly complex and differentiated MNCs (Nohria and Ghoshal, 1994), parent firm HQ have been 'left out' of the knowledge creation and transfer processes which are taking place within and across local subsidiary networks (Bouquet and Birkinshaw, 2008b; Verbeke, Bachor, and Nguyen, 2013). To reduce high knowledge deficit, HQ engage in mandated transfers of managerial (coordinative and procedural) knowledge (Bouquet and Birkinshaw, 2008b; Verbeke *et al.*, 2013) and also aim to get closer to value creation processes by leveraging and orchestrating knowledge flows among peer subsidiaries and other MNC units (Ciabuschi, Forsgren, and Martin, 2011; Dellestrand, 2011; Geppert and Dörrenbächer, 2014). Given that HQs' involvement in knowledge transfer is associated with heightened control and coordination (Bjorkman, Barner-Rasmussen, and Li, 2004) to which MNC units often resist (Kostova, 1999; Tsang, 2008), effective transfer of knowledge depends on HQs' ability to influence learning in and among subunits throughout MNCs. These actions require strategic manoeuvring on behalf of HQ managers, since too much direct involvement in transfer (and, hence, control) may demotivate local units to absorb and share HQs' knowledge with other peers, and may fuel "ceremonial" adoption of new practices throughout the MNC (Kostova, 1999). However, too loose control by HQ may fuel opportunistic behaviours in subsidiaries and may lead to failed synergy effects or lack of commitment to MNCs' strategic orientation (Andersson and Holm, 2010). This is particularly salient in the context of acquisition integration and during periods of strategic (corporate) changes. In these contexts, HQs' involvement in knowledge transfer is motivated by the need to diffuse corporate culture throughout the organization, assert strategic authority and increase coordination capability (Kostova and Roth, 2002; Yamin *et al.*, 2011; Verbeke *et al.*, 2013). Put differently, HQs' disseminative capacity is essentially a political capability to influence change in the behaviour and attitudes of knowledge recipients (subsidiaries and other MNC units) and, ultimately, gain and preserve power.

The organizational learning literature has long argued that the difficulties of knowledge transfer lie not only in the sender's ability to disseminate knowledge but also in its capacity to overcome the resistance of knowledge recipients for which political action is needed (Cohen and Levinthal, 1990; Huber, 1991). However, based on my exploratory case study and extensive literature review (see Paper 4), I argue that current conceptualizations of disseminative capacity may not adequately address the political nature of HQ-subsidiary knowledge transfer and, hence, can be limitedly applied to study the phenomenon. Disseminative capacity is conceptualized and defined primarily as a communication and problem-solving capability (e.g., Martin and Salomon, 2003; Pedersen *et al.*, 2003; Minbaeva and Michailova, 2004; Zhao and Annan, 2009), implying HQs' abilities and motivations to identify knowledge gaps in the recipient, articulate value of its own knowledge, select adequate means of communication and solve problems associated with knowledge use in the recipient. Disseminative capacity studies aim to increase our understanding of how intra-MNC knowledge flows are facilitated; more specifically, how communication structures and managerial processes facilitate the transfer of tacit, complex and firm-specific knowledge, and encourage firms (individuals and groups) to engage in these processes. However, this view tells us relatively little about how parent firms

influence learning processes in the subsidiaries and, ultimately, increase or stabilize (institutionalize) power.

Several scholars have addressed the role of power and politics in MNC knowledge transfer and gave their primary focus on the defensive behaviours of subunits acting as recipients of knowledge (Vaara, 2003; Tsang, 2008). Politics has been perceived as ‘illegitimate’ and dysfunctional factor that has to be minimized in order to ensure high knowledge transfer (Vaara, 2001; Husted and Michailova, 2002), although there are indications that political game-playing may have positive implications on knowledge transfer (e.g., Steensma and Van Milligen, 2003). A proactive and strategic use of power in HQ-subsidiary knowledge flows, particularly as it concerns the parent firm HQ and its disseminative capacity, remains underexplored. Recent contributions have emphasized the importance of political game-playing in determining the patterns of intra-MNC knowledge flows (Bouquet and Birkinshaw, 2008a; Geppert and Dörrenbächer, 2014; Mudambi, Pedersen, and Andersson, 2014). However, most of these studies focus on subsidiary power. As such, we still know little about how HQ use power and construct it over time through their engagement in knowledge transfer to the subsidiaries (and other MNC units). In the Paper 4, I explore the following research question:

RQ2: What are the power mechanisms underlying disseminative capacity of headquarters in headquarters-subsidiary knowledge transfer?

Power and power balancing actions in post-acquisition knowledge transfer

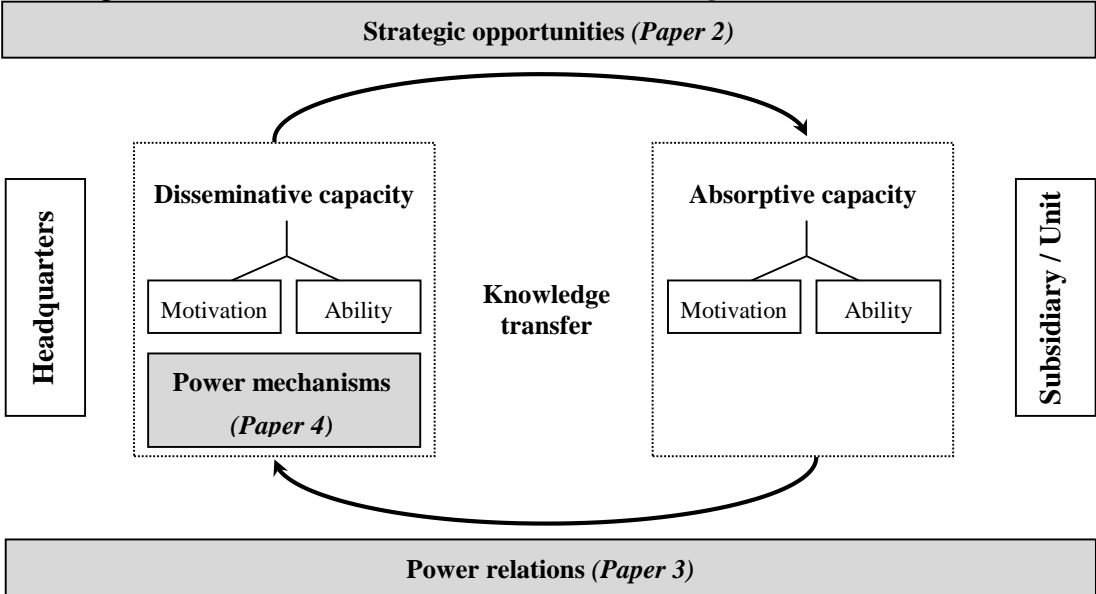
Post-acquisition knowledge transfer has been widely studied (e.g., Bresman, Birkinshaw, and Nobel, 1999; Ranft and Lord, 2002), but only a few studies have so far examined the role of power in these transfers (e.g., Empson, 2001; Vaara, 2003). Most of the M&A researchers conceptualize knowledge transfer as a conflict-free process and continue to focus on the more ‘legitimate’ aspects of acquisitions, such as value creation and benefits to shareholders, leaving the role of power and politics underexplored (Peltokorpi and Vaara, 2014). This might be attributed to the sensitive nature of these topics for individual managers (March, 2011) as well as due to methodological challenges of capturing the power dynamics through quantitative techniques (Buchanan, 2008).

Power relationships between targets and acquirers are in nature unbalanced opening up for power plays between the two firms. Prior research suggests that different antecedents of conventional (*acquirer to target*) and reverse (*target to acquirer*) knowledge flows are linked to power positions of knowledge senders and receivers (Yang *et al.*, 2008). However, how power operates in these different directions of transfer and how it affects knowledge transfer outcomes is unclear. Implied in this research is the notion that knowledge senders and receivers have *either* high *or* low power. However, power is relative (Emerson, 1962), and stems from various structural bases (French and Raven, 1959) that may yield differences in the types and levels of power within a single target-acquirer relationship.

Power is not static but dynamic. It is embedded in the other’s dependence (Emerson, 1962) and emerges through power balancing actions and influence tactics of target and acquiring firms (Morgan and Kristensen, 2006; Bouquet and Birkinshaw, 2008a; Geppert and Dörrenbächer, 2014). Power plays have been largely perceived as ‘illegitimate’ and dysfunctional processes that have to be minimized in order to ensure high knowledge transfer during post-acquisition integration (Vaara, 2001; Husted and Michailova, 2002). A general premise holds that power and politics inhibit knowledge transfer in acquisitions through their negative effect on knowledge sharing and learning behaviours of target and acquiring firms (Empson, 2001; Kostova and Roth, 2002; Husted, Gammelgaard, and Michailova, 2005; Cooke and Huang, 2011). However, there are indications suggesting that political behaviour can also be ‘constructive’, depending on what influence tactics firms (or individuals) use (Steensma and Van Milligen, 2003; Buchanan, 2008). Through power balancing actions firms may sharpen the quality of decisions, resolve conflicting interests and implement strategic changes (Buchanan, 2008; Gotsis and Kortezi, 2009). These findings go in line with the social exchange theory (Emerson, 1962, 1964) suggesting that beyond resistance and rule-breaking, actors can increase or protect their power bases by being proactive and aiming directly at the constraining party in the relationship. Overall, we still know little about how power is used in different directions of post-acquisition knowledge transfer and, ultimately, in which way conventional and reverse knowledge transfers differ. Questions about how different levels and sources of power imbalance influence power balancing actions of knowledge senders and receivers, and what implications these actions have on knowledge transfer outcomes remains underexplored. Based on the above, in the Paper 3, I explore the following research question:

RQ3: How do power relations between acquiring and target firms influence conventional and reverse knowledge transfer post-acquisition?

The scope and structure of this thesis are outlined in *Figure 1**.



* Only empirical papers are included. Ideas generated in the *Paper 1* were used to develop a theoretical framework. *Figure 1* Theoretical framework and structure of the thesis: HQ-subsubsidiary knowledge transfer

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3 Method⁸

3.1 Epistemological and ontological assumptions

The choice of research methods embodies epistemological and ontological assumptions about social reality (Bryman, 2001). In my thesis this implies, for example, what knowledge transfer is and how we can come to know something about it. Considering an elusive and socially complex nature of knowledge and learning in organizations, I take an interpretative epistemological position to study the HQ-subsiidiary and acquirer-target knowledge transfer phenomena. For me, a reality is not “out there” and cannot be objectively tested. Quite the opposite, I assume that people make sense of the reality as they are confronted with it. In turn, organizational knowledge and knowledge transfer, as I have approached it, are difficult to measure quantitatively in an acceptable, reliable and valid way. These are socially constructed phenomena through the collective sense making processes of organizational members, be it from HQ or subsidiary firms (and business units). Hence, as a researcher, I took the role of interpreting the stories of my informants from their own point of view, and as they were expressed in symbols, peoples’ beliefs and attitudes (Nachmias and Nachmias, 2008). In my interviews I did not ask explicit questions about ‘knowledge’, ‘politics’ and ‘power’ as these would not have produced reliable data due to social desirability bias (March, 2011) and also due to inherent difficulties of grasping direct meanings of these concepts. To avoid this, I let the informants tell their stories about organizations and reflect upon the events and peoples’ actions during periods of strategic change and post-acquisition integration. I asked open questions and permeated the stories to emerge, as I was sensitive about the possibility of influencing the respondents with my pre-conceived notions of important issues. Through these stories and in iteration with theory, I was able to decipher of what organizational knowledge is, and what it is not in my researched case companies.

My starting point for this study was an attempt to understand how knowledge is transferred in multinational corporations. However, I did not enter the field with a list of theories and hypotheses to test. Rather, I had a strong desire and need to understand the complex and continuously evolving processes in the empirical world, and make sense of the messy empirical data. I was reading theory, collecting and analysing data at the same time, and in so doing, I initially applied different theoretical lenses in my assessment of the worldviews, opinions and knowledge of my informants. Through continuous reiteration between data and theory, it became clear that knowledge transfer between parent firm headquarters and their subsidiary (as well as newly acquired units) is not fixed, but evolves over time. It was also apparent that external and internal (corporate) environment changes, firm strategy and power played an important role in that evolution, and that the top management teams (TMT) from HQ and subsidiary firms (and subunits) were the key drivers behind these processes. These issues are explicitly discussed in my three empirical papers (Papers 2-4).

⁸ This chapter contains the most extensive description of research methods and data, which I used in this thesis. I explain my choices and trade-offs of research methodology more thoroughly than a paper format allows. This also means that there are redundancies between this chapter and the methods sections of the research papers that constitute my thesis.

The concepts of knowledge, disseminative capacity and absorptive capacity are multi-level and multi-dimensional (Spender, 1996; Zhao and Anand, 2009), and therefore have to be studied at multiple levels of analysis. For example, individual skills and competences are derived in interaction with organizations and other individuals (or groups of individuals) that people work with. On the other hand, organizational routines and management principles are based on individuals' sense-making processes and ideas of what 'new' and 'valuable' knowledge is, and for whom. Essentially, intra-MNC knowledge transfer phenomenon bridges the macro-, meso- (group) and micro-levels of analysis. A fundamental question in combining several levels of analysis is how micro-level mechanisms interact to generate macro-level outcomes. In my study, this implies a question of how individual level antecedents of knowledge transfer (i.e., abilities, motivations and actions) interact with (inter) organizational antecedents of transfer (i.e., firm strategy and power relations between firms) to generate organizational-level outcomes (i.e., efficiency and effectiveness of knowledge transfer). To deal with this issue, it is necessary to include the context and address the complexity of social phenomenon (Collins, 1992). Following this line, the ontological assumption guiding my research is that reality is multiple, socially constructed and contextual (Berger and Luckmann, 1967). I view disseminative and absorptive capacities of HQ (acquirer) and subsidiary (target) firms more than a sum of individual knowledge sharing and learning experiences. These organizational learning capabilities emerge through individual actions and interactions and also hold collective properties (Zhao and Anand, 2013). Sender and receiver capabilities are not static but dynamic and, as such, may increase our understanding of how HQ-subsidiary knowledge transfer processes change over time.

3.2 Longitudinal exploratory case study design

The overall purpose of this study is to explore how knowledge is transferred from parent firm headquarters to subsidiaries over time, and how sender and receiver capabilities shape this process. To effectively investigate the potentially complex patterns and causal mechanisms, a research approach utilizing rich processual, longitudinal and contextual data at multiple levels of analysis is called for (Pettigrew, 1990; Langley, 1999; George and Bennett, 2005). I chose a longitudinal, exploratory case study design with a single case (Papers 2 and 4) and comparative cases (Paper 3). This research approach, as I argue, is appropriate for my research purposes.

Case study methods are well suited to study dynamic processes, such as intra-MNC knowledge flows during strategic changes, post-acquisition integration processes and in the context of emerging economies, which is the focus of this thesis. These methods are not used to test theory but to develop it (Eisenhardt, 1989; Yin, 2009). In this thesis, I aim to build theory about the nature of HQ-subsidiary knowledge transfer reflecting the complex individual, group and organization level processes. Exploratory case study research, though it suffers from low external validity (Bryman 2001), it can increase our understanding about which variables matter and how they are related (George and Bennett, 2005). It serves a theory purpose to explain the phenomenon of interest by illuminating or extending relationships among constructs in a specific setting (Eisenhardt, 1989). My goal is to understand the causal mechanisms through

which knowledge sender and receiver capabilities emerge, interact and develop over time in the context of HQ-subsidary and post-acquisition knowledge transfer. To develop this understanding, I focus on capturing the individuals' lived experiences and their interpretations about the abilities, motivations and opportunities to share and acquire knowledge, and how these change over time (Paper 2).

A fundamental advantage of qualitative (exploratory) approach is 'open-endedness' (Graebner, Martin, and Roundy, 2012), allowing researchers to develop novel understanding about the phenomenon of interest without using predefined constructs and measures. I had access to both HQ and subsidiary firms (and newly acquired business units), gathered real-time data and, as far as possible, was open to collecting and interpreting it. Being open was important for me because I had to trace socially constructed, contextual and longitudinal data in order to understand how knowledge transfer processes evolve over time and how firms shape these processes. By being open to the emerging data, I was able to capture the power mechanisms through which HQs' TMT altered learning processes in the subsidiary (Paper 4). An exploratory, comparative study of two 'polar-type' cases (Pettigrew, 1992) was also relevant for gaining novel insights into the relationships between 'power', 'politics' and 'knowledge transfer' and explaining why and how conventional and reverse knowledge flows differ in acquisitions (Paper 3).

A longitudinal, exploratory study approach also reflects the growing need for, and interest in, more qualitative research in the IB field (Marschan-Piekkari and Welch, 2004 ; Burgelman, 2011; Doz, 2011). This might also reflect researchers' sensitivity to unresolved methodological difficulties in the knowledge transfer research. Problems are primarily associated with latent and lagged effects of learning that make the use of quantitative research methods less relevant (Easterby-Smith *et al.*, 2008; Perez-Nordtvedt *et al.*, 2008). Responding to the above and addressing the overarching research question of my thesis, a longitudinal and exploratory (single and comparative) case study design was highly relevant.

3.3 Case sampling

My case sampling procedure was opportunity and theory-driven (Patton, 1990; Eisenhardt and Graebner, 2007). I was granted access to *NordCorp* as the company was experiencing strategic changes and went into a strategic alliance with *AcqHotel*, to which I also gained access (company names are disguised to secure anonymity). Responding to the emerging case study findings, I identified another, 'polar type' case (Pettigrew, 1992) and gained access to the case data⁹ (see case company descriptions in *Appendix 1*). Given limited time and resources, I was also aiming for convenience. Due to my language skills and physical presence in Norway, I limited my search to multinational companies that were based in Norway and had established a long-term presence (i.e., minimum 3 years) in the Baltic States and operated therein through

⁹ In Paper 3, the *AcqIT-TargetIT* case data is drawn from the Doctoral Dissertation "*Organizational Identity and Value Creation in Post-Acquisition Integration: The Spiralling Interaction of the Target's Contributive and the Acquirer's Absorptive Capacities*". The Dissertation was defended at BI Norwegian Business School (2008) by Helene Loe Colman, who is also a co-author of the paper.

subsidiaries or business units. By this, I was aiming to gather rich data over time and in the native (or well mastered) language of my potential respondents, which is considered important in qualitative research (Miles and Huberman, 1994).

Even though my sampling was based on opportunity and convenience, it follows the criteria for theoretical sampling (Eisenhardt and Graebner, 2007). Theoretical sampling implies a purposeful selection of information-rich cases where the phenomenon of interest could be best revealed (Dubois and Gadde, 2002). My goal was to study HQ-subsubsidiary knowledge transfer processes as they unfold over time, and examine how knowledge senders and receivers shape these processes. Multinational corporations operating in emerging economies through local subsidiaries (and business units) seemed to be a particularly suitable research context for that purpose. Knowledge transfer between parent and subsidiary firms in these contexts often involves a 'willing source' (Martin and Salomon, 2003) and have more clearly defined sender and receiver roles (Lane, Salk, and Lyles, 2001; Tsang, 2008; Estrin and Meyer, 2011). Further, in transition economies of CEE, learning processes in foreign-local partnerships are apparent and dynamic (Steensma *et al.*, 2005). Since early 1990s, a large number of relatively small and under-developed firms in Lithuania, Latvia and Estonia have been acquired by large multinationals (World Investment Reports UNCTAD, 2002-2008) receiving knowledge inflows from their new parents (Yang, Mudambi, and Meyer, 2008). Rapidly changing institutional environments in these transition economies have over time redefined the abilities and motivations of parent and subsidiary firm employees to transfer and acquire knowledge (Steensma *et al.*, 2005). The financial crisis of 2008-2009 represented a new phase in foreign-local partnerships therein, leading to intensified transfers of knowledge from parent HQ, primarily of managerial (i.e., strategic, procedural and coordinative) nature (Hong and Nguyen, 2009; Verbeke, Bachor, and Nguyen, 2013). This required strategic agility and flexibility in knowledge-sharing and learning behaviours of HQ and subsidiary firms and, thus, represented a relevant research setting for this study.

By selecting an emerging economy context, I have identified a *NordCorp - BaltCorp* case where knowledge flows were primarily unidirectional, giving a distinct sender (i.e., foreign HQ) and receiver (i.e., local subsidiary). The primary roles of knowledge sender and receiver did not change over the course of *NordCorp - BaltCorp* relationship, which made it possible to investigate the dynamics of sender and receiver actions, and their interactions over time. Parent and subsidiary firms have been in cooperation without interruption for almost 15 years, and during this period, they undergone major strategic and organizational changes. The case allowed me to study the interactions of knowledge senders and receivers and the emerging strategic opportunities, based on retrospective and real-time data. By doing this, I was able to examine the evolution and change of HQ-subsubsidiary knowledge transfer (Paper 2). Further, the issues of power and politics were emergent in this case. *BaltCorp* was historically a highly autonomous, locally embedded subsidiary which was of high strategic importance for *NordCorp*. Financial crisis and corporate changes created a need for new strategic and managerial knowledge in the subsidiary. A combination of strong local embeddedness, corporate changes and uncertainty created tensions between HQ and subsidiary firms and,

hence, acted as a suitable research context to study processes through which HQ constructed power in knowledge transfer to local subsidiary (Paper 4). Retrospective data were less needed, as this was a question of *how* parent firm HQ bring about change in the subsidiary, rather than *if* the change occurs. In order to grasp the power mechanisms underlying HQ’s disseminative capacity, I followed *NordCorp* and *BaltCorp* companies in real time and collected additional data (see *Figure 2*).

Through *NordCorp*, I got access to *AcqHotel* where issues of power and politics were also apparent. This drove me to investigate the power mechanisms through which knowledge transfer emerges, develops over time and generates outcomes. Since both cases showed strong and systemic evidence of conventional knowledge transfer, I searched for the ‘polar type’ case of reverse knowledge transfer. Polar case studies focus on processes that are more distinct and, hence, more “transparently observable” (Pettigrew, 1990). Such extreme or unique cases can help researchers describe the wider characteristics of the specific phenomenon and examine causal mechanisms underlying it (Jugdev and LaFramboise, 2010). A theory-driven sampling procedure was used to identify these cases. I gained access to the *AcqIT-TargetIT* case data and compared it with the emerging data in the *AcqHotel-TargetHotel* case. Both cases were post-acquisition knowledge transfer cases where knowledge exchanges between target and acquiring firms were the important goals of acquisitions and central in their integration processes. In the *AcqHotel-TargetHotel* case, the purpose of replicating a successful business model of the acquirer in local markets of the target units was reported. In the *AcqIT-TargetIT* case, beyond market expansion, access to the target’s technologies and solutions was stated as an important goal of acquisition. These cases exhibited similar size differences between the target and the acquirer and intended full integrations of newly acquired units. These cases were horizontal, market-seeking acquisitions of relatively small targets with overlapping competences, products and processes. Duplicative knowledge of the targets had to be abandoned and replaced, posing tensions between firms. In turn, both cases represented a relevant context to study how power emerges and is constructed over time in conventional and reverse knowledge flows post-acquisition, and what role do senders and receivers play in these processes (Paper 3). *Figure 2* shows the timeline of my study, the cases studied and research papers.

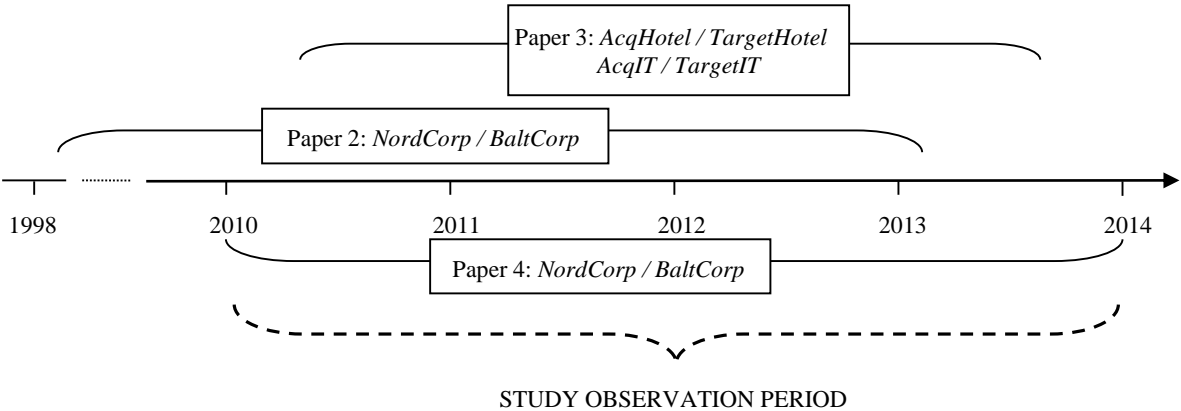


Figure 2 The study observation period, cases and research papers

3.4 Data collection

I relied on interviews as my main source of data with non-participant observations, annual reports, financial statements, presentations for external and internal audiences, press releases and company web site texts serving as important triangulation and supplementary source (Miles and Huberman, 1994). The documents contained information about strategic, operational and financial aspects of MNCs and their subunits. These multiple data sources are common in case study research (Yin, 2009) and are necessary to trace and contextualize the events, capture their sequences in real time and retrospectively, as well as map actors, structures and relationships (Pettigrew, 1990; Langley, 2007).

Theoretical sampling served as a purposeful selection of informants (Lincoln and Guba, 1985). I chose top and middle-level managers from parent and subsidiary firms (and newly acquired units) as my key informants assuming that they were the most competent to inform about competitive forces in the task environments of case study firms, their strategies, integration processes, inter-firm relationships and, most importantly, the knowledge sharing and learning behaviours. Since knowledge to be transferred was mostly managerial (strategic, procedural and coordinative) in both cases, the top management teams (TMT) served as the key target groups. In the *NordCorp-BaltCorp* case, the TMTs in HQ and subsidiary were actively involved in various strategic and change processes over the course of inter-firm relationships. I was also reassured by my informants that TMTs acted as the key senders and receivers of new management principles, business concepts, organizational routines and procedures, technical expertise and tools in the *NordCorp-BaltCorp* and *AcqHotel-TargetHotel* cases. I attempted to overcome potential selection biases by asking my interviewees for advice on whom to interview further. Since I was interested in the development of knowledge transfer processes over time, I also interviewed managers who were previously involved in firm operations but were not employed in respective companies during the time of interview conduct.

During the period of 4 years (2010-2013), I conducted 72 semi-structured interviews with 48 people from selected case companies and their subunits located in Norway, Latvia, Lithuania, Estonia and Russia. All interviews were done in person and on site. Six of the interviews were group interviews, which were conducted in *NordCorp*, *BaltCorp*, *AcqHotel* and in one of the *TargetHotel* units in Latvia. Since I was interested in how knowledge transfer processes and outcomes change over time, many of my key informants were interviewed more than once. Gaining access to peoples' stories over time was essential, and I revisited the companies several times over the course of data collection. A more detailed description of data collection processes is provided in each paper. An overview of research methods, the volume and types of data used in three empirical papers is presented in Table 1 (see *Table 1*).

I took detailed notes after each interview, audio-recorded them and had them transcribed in verbatim. The interview transcripts amount to more than 1000 pages of single-spaced text. I listened to every recording and reviewed all transcripts several times. This robust and time-consuming process ensures high-quality transcripts, upon which subsequent data analysis is

based. In both of my cases studies, I employed rather unstructured interviews in the beginning of data collection to provide a wide scope of possible themes (see interview guide in *Appendix 2*). As themes were emerging, I used more structured interviews and conducted them in both HQ and subsidiary firms (and newly acquired units).

In the *NordCorp-BaltCorp* case, I was also given access to quarterly management meetings of HQ and subsidiary TMTs. This is where I conducted 2 non-participant observations of 8 hours each in late 2012. I took detailed notes and used this highly rich data in two of my papers (Papers 2 and 4). In parallel to data collection in formal meetings and interviews, I also engaged in informal conversations and discussions with my case study participants who gave additional information as to what their motives to share and absorb knowledge (or withhold from it) were, how HQ-subsidiary relationships evolved, and what tensions in HQ-subsidiary interaction were particularly salient.

Table 1 Research papers: cases, data sources, and methods

Research paper	Cases	Data	Methods
1. Antecedents and consequences of inter-organizational knowledge transfer: Emerging themes and openings for further research	-	-	Literature review
2. Temporality and change in headquarters-subsidiary knowledge transfer: The role of strategic opportunities and organizational learning capabilities	3	35 interviews 2 observations Archival data Real-time / retrospective data, 15 years	Exploratory single-case study using critical incidents (time periods)
3. Conventional and reverse knowledge transfer post-acquisition: The role of power and politics	2	54 interviews (Case 1) 45 interviews (Case 2)* Archival data Real-time data separated in time, 3*3 years	Exploratory comparative case study
4. Headquarters' disseminative capacity as political capability	1	41 interviews 2 observations Archival data Real-time data, 4 years	Exploratory single-case study

* 54 interviews were conducted by the thesis author in the *AcqHotel-TargetHotel* case. 45 interviews were collected in the *AcqIT-TargetIT* case by one of the co-authors of Paper 3.

3.5 Data analysis

Since MNCs are complex, multi-dimensional entities, the level of analysis must be specified. Gupta and Govindarajan (2000) argue that intra-MNC knowledge flows can be studied on at least three levels: nodal, when the analysis focuses on the behaviour of individual units (1); dyadic, when the analysis focuses on the joint behaviour of unit pairs (2); and systemic, when the analysis focuses on the behaviour of the entire network (3). I delimited my analysis to the

dyadic level and focused on the behaviour of unit pairs, i.e., sender-receiver interactions in knowledge transfer (in this case, HQ-subsiidiary/business unit interactions). By viewing HQ-subsiidiary knowledge transfer through the lens of sender-receiver interaction, I focused on analysing those interactions over time (Papers 2 and 3) and the micro-level mechanisms through which firms' disseminative and absorptive capacities emerged (Papers 2 and 4). As such, disseminative and absorptive capacities are perceived and analysed in this thesis as both individual and organizational phenomena (Zhao and Anand, 2009).

Considering that development of case narratives is the first task of qualitative inquiries (Patton, 1990), I wrote stories of each case describing the chronology of events, strategic and structural characteristics, actors and relationships, processes and outcomes. These narratives helped me to identify the emergent themes in the data (Corley and Gioia, 2004) and capture employee behaviours towards knowledge transfer and absorption in a manner that was sensitive to the order in which events occurred (Aminzade, 1993). Through informant stories and observations in the *NordCorp-BaltCorp* case, a central theme of the evolution and change of HQ-subsiidiary knowledge transfer has emerged, which I discuss in more detail in the Paper 2. Stories about HQ power and political game-playing were continuously reoccurring in this case, and I used systematic analysis and intuitively induced theoretical insights to identify and make sense of the emerging constructs (Gioia, Corley, and Hamilton, 2013) (Paper 4). In the comparative case of *AcqHotel/TargetHotel* and *AcqIT/TargetIT*, power relations and political game-playing by the acquirers and targets were also apparent as major themes (Paper 3).

I coded each interview separately based on the emerging first-order themes in my data (Van Maanen, 1979; Corley and Gioia, 2004). I finalized first-order themes by continuously reading and rereading my interviews, juxtaposing interview data with various documentary sources and looking for similarities as well as differences within and across cases. First-order themes were words, phrases, full sentences and labels that were used by my informants. Further in the analysis, I searched for meaningful relationships between the emerging themes which facilitated assembling and abstracting them into second-order categories (Van Maanen, 1979). These categories were further abstracted into overarching constructs that formed the core concepts. By using a blended approach of deductive and inductive reasoning (Graebner *et al.*, 2012), I juxtaposed the emerging findings with theory and built-up patterns. I pursued this data analysis procedure recursively until I had a clear grasp of the emerging theoretical relationships and additional interviews failed to provide new data relationships (Corley and Gioia, 2004). This approach to data analysis is relevant for developing new concepts and gaining deeper understanding of organizational dynamics, and is typically used in exploratory, single-case studies (Gioia *et al.*, 2013). By using this inductive approach, I identified power mechanisms through which HQs' disseminative capacity emerges as a political capability (Paper 4) and analysed the changing patterns in HQ-subsiidiary knowledge transfer in the Paper 2. In both of these papers coding schemes using 1st- and 2nd-order labelling is provided in tables with supporting quotes.

In the Paper 3, a comparative case study design was used where Eisenhardt and colleagues' (1989; 2007) methodological approach to theory-building from cases was applied. Case data analysis, as described by Eisenhardt (1989), is a two-stage process that begins with the construction of complete within-case narratives and is followed by case comparison processes until a set of constructs emerge and variations are revealed. Through these processes, the emergent patterns were examined, variations across the cases were identified and relationships between generalizable constructs were hypothesized. To sum up, I used Gioia (2004) and Eisenhardt (1989) methodologies selectively in data analysis. These methodologies are considered as alternative approaches to theorizing from qualitative data (Gioia *et al.*, 2013). Responding to that, I sought for an approach that addresses my specific research question and the case study design best in each empirical paper. Paper 1 is a conceptual paper where I consolidate and map research on inter-organizational knowledge transfer into the analytical framework of antecedents and consequences of knowledge transfer.

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4 Summary of research papers

All research papers in this thesis address the overall research question of how knowledge is transferred between headquarters and subsidiaries over time, and what role do sender and receiver capabilities play in this process. This chapter gives a brief overview of the research focus and findings in each paper (see *Table 2*).

Table 2 Research papers: research questions and findings

Research paper	Research question	Findings
1. Antecedents and consequences of inter-organizational knowledge transfer: Emerging themes and openings for further research	<i>What are the antecedents and consequences of inter-organizational knowledge transfer?</i>	Differences in intra- and inter-firm knowledge transfer are outlined; analytical framework of knowledge-specific, organizational and inter-organizational antecedents and consequences of inter-firm knowledge transfer is presented and mediating role of knowledge acquisition is emphasized; limited understanding of knowledge transfer processes in turbulent environments is outlined as limitation of existing research
2. Temporality and change in headquarters-subsidiary knowledge transfer: The role of strategic opportunities and organizational learning capabilities	<i>How do changes in disseminative and absorptive capacities and strategic opportunities influence HQ-subsidiary knowledge transfer over time?</i>	Changes in subsidiary strategy determines the amount and type of HQ-subsidiary knowledge transfer over time through their effect on disseminative and absorptive capacities; disseminative and absorptive capacities interact and offset one another; withholding from knowledge transfer may sometimes be more valuable and imply high disseminative capacity of HQ
3. Conventional and reverse knowledge transfer post-acquisition: The role of power and politics	<i>How do power relations between acquiring and target firms influence conventional and reverse knowledge transfer post-acquisition?</i>	Power imbalance between HQ and subsidiary (acquirer and target) determines directionality of knowledge transfer, as well as efficiency and effectiveness of transfer through power balancing actions; power balancing actions of knowledge senders and receivers differ in conventional and reverse knowledge flows; power balancing actions are temporary and strategic, and have positive implications on post-acquisition knowledge transfer outcomes
4. Headquarters' disseminative capacity as political capability	<i>What are the power mechanisms underlying disseminative capacity of headquarters in HQ-subsidiary knowledge transfer?</i>	A new conceptualization of HQs' disseminative capacity is developed and defined as political capability of HQ to influence change in learning behavior and attitudes of the subsidiary; HQs' disseminative capacity emerges through four interrelated power processes: dominant coalition formation, legitimation, power demonstration and power institutionalization

Paper 1 (Chapter 5): in this paper, I consolidate and map out research on inter-organizational knowledge transfer in an integrative framework of the antecedents and consequences of transfer. I argue that knowledge acquisition plays an important mediating role in theorizing linkages between knowledge-specific, organizational and inter-organizational antecedents and outcomes of knowledge transfer. Lack of research attention to external environment changes and their implications on knowledge transfer, as I argue, makes current theoretical frameworks of inter-firm knowledge transfer incomplete. Given our limited understanding of the dynamic processes of transfer, more longitudinal qualitative research is called for. A number of limitations and openings for further research are discussed in this paper that stand as a major motivation for studying HQ-subsiary and acquirer-target knowledge transfer processes in other research papers of this thesis.

Paper 2 (Chapter 6): in this paper, we explore the processes and outcomes of HQ-subsiary knowledge transfer as they unfold over time, and explain the evolutionary dynamics of knowledge transfer in a single-case longitudinal study. We examine how changes in strategic opportunities for knowledge transfer and firms' disseminative and absorptive capacities influence the amount and types of transferred knowledge over time. The findings reveal that HQ-subsiary knowledge transfer is a temporary and non-linear phenomenon, and this is due to changes in subsidiary strategy of the parent firm that trigger sender and receiver abilities to disseminate and absorb knowledge through their effect on motivation. As such, we argue that knowledge transfer between HQ and subsidiaries can be fully understood by studying sender-receiver dyads over time, i.e., by incorporating opportunities, motivations, abilities and actions, as well as interactions, of knowledge senders and receivers. This study also shows that in some strategic contexts a deliberate withdrawal from knowledge transfer by HQ creates positive implications to knowledge development processes in the subsidiary. As such, disseminative capacity of HQ should be understood as their strategic capability to manage knowledge development processes in local units and in multinational corporations, as a whole.

Paper 3 (Chapter 7): this paper seeks to explore the power mechanisms through which conventional (acquirer to target) and reverse (target to acquirer) knowledge flows emerge during post-acquisition integration. We argue that post-acquisition knowledge transfer is a political process during which target and acquiring firms transfer and absorb knowledge (or withhold from it) with the aim to challenge or stabilize the existing power relations. Based on a longitudinal case study of conventional and reverse knowledge flows, we argue that knowledge transfer in acquisitions takes a conventional or a reverse path depending on the extent of power imbalance between the target and the acquiring firm. Different levels of power imbalance across various power bases induce distinct knowledge transfer logics. Whereas in conventional knowledge flows target and acquiring firms are engaged in power stabilizing actions and associated influence tactics, in reverse knowledge flows firms are involved in power seeking actions. The study findings also demonstrate that power balancing actions by the two merging firms are temporary and strategic, and these actions may have positive implications on knowledge transfer outcomes, which contradict previous studies.

Paper 4 (Chapter 8): this paper aims to gain further insight into the power mechanisms underlying HQ-subsubsidiary knowledge transfer. Based on a longitudinal, exploratory study of HQ-subsubsidiary knowledge transfer, I develop a new conceptualization of disseminative capacity. In my data, disseminative capacity of the parent firm HQ emerges as a political capability to influence change in the learning behaviour and attitudes of the subsidiary. The study findings show that headquarters transfer parent firm's knowledge to the subsidiary with the aim to increase and preserve power. They construct and develop power in knowledge transfer through the engagement in four power processes: dominant coalition formation, legitimation, power demonstration and power institutionalization. With this paper, a new way of understanding the headquarters' role in knowledge transfer to the subsidiaries is presented.

The papers of this dissertation (pages 44-181) are not available in BI Brage, due to copyright matters:

Paper 1:

Antecedents and consequences of inter-organizational knowledge transfer: Emerging themes and openings for further research

Paper 2:

Temporality and change in headquarters-subsidary knowledge transfer: The role of strategic opportunities and organizational learning capabilities

Paper 3:

Conventional and reverse knowledge transfer post-acquisition: The role of power and politics

Paper 4:

Headquarters' disseminative capacity as political capability

9 Conclusion

In this concluding chapter, I integrate the findings and discuss implications from the four research papers of this dissertation. First, I outline the main findings. Next, I discuss theoretical contributions and managerial implications identified in the research papers. Finally, I present limitations of this study and suggest some avenues for future research.

9.1 Main findings

In this thesis I explore knowledge transfer processes between headquarters and subsidiaries where I place particular emphasis on the role of disseminative and absorptive capacities. Specifically, I ask: how changes in disseminative and absorptive capacities and strategic opportunities influence HQ-subsidiary knowledge transfer processes and outcomes over time. I also examine the role of power in knowledge transfer, and ask how power relations between HQ and newly acquired units influence conventional and reverse knowledge transfer post-acquisition, and what power mechanisms underlie headquarters' disseminative capacity.

In the Paper 1, I provide a comprehensive review of the current body of research on inter-organizational knowledge transfer, indicating some of its limitations and suggesting openings for future studies. I consolidate and map research in an integrative framework of knowledge-specific, organizational and inter-organizational antecedents and performance outcomes of knowledge transfer. The paper points to an underestimated role of knowledge acquisition in the existing knowledge transfer frameworks and suggests that the extent, type and nature of 'new knowledge learned' mediate a relationship between various antecedents and outcomes of transfer. This study seeks to delineate the scope of intra- and inter-organizational knowledge transfer research, define the domain construct of inter-organizational knowledge transfer, identify its key dimensions and explain relationships between them. Some methodological difficulties of studying the knowledge transfer phenomenon and opportunities for further research are also outlined in the paper, which stand as my motivation to study evolutionary dynamics and power processes in HQ-subsidiary knowledge transfer constituting the primary focus of this thesis.

In the Paper 2, we investigate how changes in firms' disseminative and absorptive capacities and strategic opportunities influence HQ-subsidiary knowledge transfer processes and outcomes over time. The study shows that HQ-subsidiary knowledge transfer can be highly sporadic, fluid and temporal, and this is due to changes in the subsidiary strategy of the parent firm that impact motivations and abilities of HQ and subsidiary managers to engage in knowledge transfer. Using a longitudinal case study design, we find that the amount as well as the type of knowledge transferred change over time. As appeared in the data, disseminative and absorptive capacities of HQ and subsidiary firms do not only relate to one another (Lane and Lubatkin, 1998) but also interact, in such a way that a strong transfer "push" can leverage and even offset a lack of absorptive "pull", and *vice-versa*. Based on our findings, we argue that disseminative capacity of the knowledge sender (HQ) is as critical as absorptive capacity of the

knowledge receiver (subsidiary), and they interact to generate knowledge transfer outcomes. The study also demonstrates that deliberate withdrawal from knowledge transfer by HQ has positive implications for competence development processes in the subsidiary. These findings imply that HQs' disseminative capacity is essentially a strategic capability.

In the Paper 3, we examine the power mechanisms through which conventional and reverse knowledge transfer processes emerge and develop during post-acquisition integration. Our findings show that the degree and sources of power imbalance between the acquiring firm and the target determine the direction, the process, and the outcomes of knowledge transfer. When power imbalance between the acquirers and the targets is low, and both partners are mutually dependent on each other's resources, knowledge transfer is likely to take both directions; the process is, however, rather slow and requires a lot of efforts from both parties. In the context of high power imbalance between the acquirer and the target, the knowledge transfer process is fast, unidirectional (conventional) and imposed. In this study we develop a conceptual framework and offer several propositions suggesting relations between power imbalance, political balancing actions, and knowledge transfer. Our underlying premise is that power-dependence relations between target and acquiring firms determine the pattern and outcomes of knowledge transfer through their effect on power balancing actions. Power balancing actions involve specific influence tactics that differ in conventional and reverse knowledge flows. We identified two types of actions - power-stabilizing and power-seeking - that are temporary and strategic, and may have positive implications on knowledge transfer outcomes.

In the Paper 4, I study the power mechanisms through which headquarters' disseminative capacity emerges and is developed over time in HQ-subsidiary knowledge transfer. I identify four power processes - coalition formation, legitimation, power demonstration, and power institutionalization. These power processes enable HQ to access valuable knowledge in subsidiary networks and gain support for disseminative actions in internal (corporate) networks, leverage subsidiary intent to learn, use and internalize parent firm's knowledge in the local context. Based on my longitudinal, exploratory case study findings, I conceptualize disseminative capacity of the headquarters as political capability to influence change in the behaviour and attitudes of the subsidiary (knowledge recipient). In contexts where knowledge is managerial, explicit and duplicative, and when power relations between the sender and the receiver is unbalanced, traditionally observed communication and problem-solving processes underlying disseminative capacity may be of low explanatory value. In such contexts, the power balancing actions and interactions of knowledge senders and receivers might explain the knowledge transfer phenomenon and, more specifically, the sender's disseminative capacity better.

9.2 Theoretical contributions

In this study I develop evolutionary and power perspectives of HQ-subsidiary knowledge transfer in multinational corporations, and make several important contributions to these fields. First, I explicate a strategic rationale behind temporality and change of HQ-subsidiary knowledge

transfer, and add to the current literature that largely focuses on intra-MNC knowledge transfer at one point in time. In doing this, I explore the micro-level mechanisms of disseminative and absorptive capacities of firms, and their interactions, which in itself is a contribution to the knowledge transfer research. Second, I provide a more nuanced understanding of the power mechanisms underlying HQ-subsidary (acquirer-target) knowledge flows. These mechanisms explain how knowledge transfer processes emerge, why they take different directions, and lead to different outcomes during post-acquisition integration. Third, I include the power dimension in conceptualizing headquarters' disseminative capacity to effectively transfer knowledge throughout the MNC. With this, I expand the current conceptualizations of disseminative capacity and define it as a political capability of the sender (HQ) to influence change in the behaviour, attitudes and beliefs of the receiver (subsidiary).

HQ-subsidary knowledge transfer as dynamic process

In this study I demonstrate that knowledge transfer from HQ to a foreign subsidiary is a temporary and non-linear phenomenon as the level of transfer and types of knowledge shift over time. I explain changes in HQ-subsidary knowledge flows through sender and receiver interaction. More specifically, I propose that sender's disseminative and receiver's absorptive capacities are dynamic and relational. These capabilities are to some degree attributes of the individuals and firms (Zhao and Anand, 2009; Chang, Gong, and Peng, 2012) that are leveraged through disseminative "push" and absorptive "pull" processes. The underlying premise for my argument is that high disseminative capacity of the sender (HQ) can offset low absorptive capacity of the receiver (subsidiary or business unit), and *vice-versa*, to ensure high knowledge transfer. For researchers, these findings imply that our models of MNC knowledge transfer should be temporary, not necessarily following cumulative, linear paths of evolution, and, in addition, highly contextual.

With this thesis, I also extend our knowledge about the role of 'opportunities' in intra-MNC knowledge transfer and contribute to the micro process-based understanding of transfer (Ahuja and Katila, 2001; Minbaeva, 2007; Reinholt, Pedersen, and Foss, 2011). My study shows that beyond structural and relational opportunities for knowledge sharing and learning (Noorderhaven and Harzing, 2009; Reinholt *et al.*, 2011; Chang *et al.*, 2012), strategic opportunities are important in the HQ-subsidary knowledge transfer process. Opportunities for knowledge transfer emerge from the subsidiary strategy of the parent firm, in response to host country market dynamics and corporate changes. My research findings also imply that different types of opportunities may have different effects on knowledge transfer. Structural and relational opportunities, such as network positioning, information and communication systems have a strong impact on the degree of actual transfer of knowledge (Argote, McEvily, and Reagans, 2003; Noorderhaven and Harzing, 2009; Reinholt *et al.*, 2011; Chang *et al.*, 2012; Minbaeva, Park, and Vertinsky, 2013) but they do not explain triggers of knowledge sharing and learning behaviours. In this thesis I show that strategic opportunities trigger sender and receiver abilities to disseminate and absorb knowledge through motivation. Consequently, parent and subsidiary firms leverage organizational learning capabilities in some strategic contexts, but not in others.

Previous studies of intra-MNC knowledge transfer have argued that early transfers of knowledge within foreign-local partnerships mainly consist of explicit knowledge until a ‘common code’ has evolved and a shared language between the units is established (Lane, Salk, and Lyles, 2001; Steensma *et al.*, 2005). My study, however, shows that headquarters and subsidiaries are highly strategic in their attempts to transfer knowledge and absorb it, and knowledge transfer can take tacit forms already in early years of foreign-local partnerships. For M&A researchers this implies that reverse knowledge flows can emerge early in the acquisition integration process, and my study confirms that.

HQs’ disseminative capacity as strategic and political capability

This thesis also extends prior but scant studies on disseminative capacity. I argue that disseminative capacity is a strategic capability of HQ to transfer knowledge where and when it is needed in the corporation. Greater intra-MNC knowledge flows are generally perceived as more desirable (Michailova and Mustaffa, 2012) and signal high disseminative capacity of MNC units (Szulanski, 1996; Hansen, 1999; Tsai, 2001; Minbaeva *et al.*, 2003; Minbaeva, 2007; Yang, Mudambi, and Meyer, 2008). In contrast, I demonstrate that in the context of HQ-subsubsidiary knowledge transfer, limited knowledge transfer may sometimes be valuable and reflect a deliberate strategy of the parent firm. Withholding HQs’ knowledge that appears less relevant for the subsidiary implies high disseminative capacity as it prevents HQ from using resources sub-optimally.

My findings confirm that knowledge transfer is a strategic process, not only in horizontal flows among subsidiaries or in knowledge flows from subsidiaries to HQ (Gupta and Govindarajan, 2000; Foss and Pedersen, 2002; Ambos, Ambos, and Schlegelmilch, 2006) but also in conventional knowledge flows from HQ to subsidiaries. In this context, refrainment from knowledge transfer is driven by the perceived need to use knowledge resources most efficiently throughout the MNC network. A parent firm can refrain from knowledge transfer to a focal subsidiary deliberately if and when the subsidiary’s knowledge base is perceived of higher strategic value. An important role of the parent firm becomes to recognize the need for subsidiary learning from local environments and balance competence development processes in external (subsidiary) networks with similar activities that are taking place in the internal MNC network (Mudambi, Pedersen, and Andersson, 2014). These findings call for a broader perspective on intra-MNC knowledge transfer where knowledge value from an internal source in MNC is compared to the knowledge developed locally or transferred from external sources.

In this thesis I also demonstrate that HQs’ disseminate capacity is a political capability. My study shows that changes in the home and host country markets and resistance to change in the subsidiaries (and other MNC units) require political action on behalf of HQ managers. Drawing on a longitudinal, exploratory case study of HQ-subsubsidiary knowledge transfer, I extend conceptualizations of headquarters’ disseminative capacity beyond communication and problem-solving capability, which are dominating the knowledge transfer research. I define disseminative capacity of the knowledge sender (e.g., parent HQ) as a political capability to influence change in the behaviour and attitudes of the receiver (e.g., subsidiary). In my data,

HQs' political capability appeared through four power mechanisms, namely, dominant coalition formation, legitimation, power demonstration and power institutionalization processes. By showing how headquarters construct and develop power through knowledge transfer, I contribute to MNC knowledge transfer literature that, so far, has focused mainly on subsidiary power and political bargaining (Mudambi and Navarra, 2004; Morgan and Kristensen, 2006; Bouquet and Birkinshaw, 2008; Dörrenbächer and Geppert, 2009; Mudambi *et al.*, 2014).

The role of power and politics in HQ-subsiary knowledge transfer

In this thesis I examine the role of power and politics in HQ-subsiary (acquirer-target) knowledge transfer, which, to my knowledge, are still rather underexplored topics in the mainstream IB and M&A research. Specifically, I look at how power is constructed over time in HQ-subsiary knowledge transfer and how power affects the patterns and outcomes of transfer in conventional and reverse knowledge flows post-acquisition.

Drawing on social exchange and power theories (French and Raven, 1959; Emerson, 1962) and my case study findings, I argue that post-acquisition knowledge transfer is essentially a political process where acquiring and target firms transfer knowledge (or withhold from transfer) with the aim to advance specific interests and gain or preserve power. A comparative study of conventional and reverse knowledge transfer processes post-acquisition shows that target and acquiring firms engage in different types of power balancing actions depending on the level and sources of power imbalance between the two firms. This, in itself, is a new finding that contributes to our understanding of post-acquisition knowledge transfer processes.

Interestingly, I find that engagement in power process can increase knowledge transfer in acquisitions, which is in contrast to a conventional wisdom arguing that power struggles and politicking inhibits transfer (Empson, 2001; Vaara, 2003). Withholding from knowledge transfer is but one political means to exert influence over the acquisition partner. In this thesis I show that power-seeking and power-stabilizing goals can be realized through the use of proactive influence tactics, which act as a necessary means to facilitate post-acquisition knowledge transfer and reap benefits from it. Due to different levels of power imbalance in conventional and reverse knowledge flows, power balancing actions of knowledge senders and receivers (acquirers and targets) generate different levels of efficiency and effectiveness of transfer. This study also extends our knowledge about the boundary conditions of conventional and reverse knowledge flows post-acquisition. I demonstrate that in addition to the time elapsed after the acquisition (Bresman, Birkinshaw, and Nobel, 1999) and the primary motive for acquisition (Bower, 2001), power relations between the target and the acquirer influences whether the knowledge flow remains primarily conventional or takes both directions. Through longitudinal case studies of HQ-subsiary (and acquirer-target) knowledge transfer I demonstrate that power is constructed over time through sender and receiver actions, and their interactions. Firms use their power resources to either challenge or stabilize the established power relations. Political actions of firms emerge in the form of disseminative "push" and absorptive "pull" processes that reinforce or offset one another. In this manner, my study adds to the scant research on the dynamic perspective of power in HQ-subsiary knowledge transfer.

9.3 Managerial implications

To managers, this study suggests that parent firm HQ play an important strategic and political role in facilitating knowledge flows to subsidiaries and newly acquired business units within MNCs. Headquarters can withhold from transfers of knowledge when local development processes are deemed to be necessary and self-sufficient. As such, an implicit assumption that the more knowledge flows, the better should be considered with caution, also because HQs' engagement in knowledge management processes within local networks are more often received negatively than positively by subsidiary managers. Further, tacit, complex and firm-specific knowledge can be transferred already in early stages of foreign-local partnerships (including acquisitions). Foreign expatriates are instrumental in building trust among HQ and subsidiary managers, leveraging their absorptive and disseminative capacities, filtering knowledge and adapting it to the needs of HQ and subsidiary firms. For MNCs, this implies careful selection, training and succession planning for expatriate managers, guidance of their management styles and flexibility in their assignments. Higher attention to expatriate management is particularly relevant for multinational companies operating in emerging economies where high uncertainties, cultural ambiguities, and changes in strategic opportunities for learning are common.

This thesis also aims to increase managerial awareness of the importance of power and political bargaining in knowledge transfer between HQ and subsidiaries, acquirers and targets. My central premise is that a parent firm's capacity to influence change in the behaviour and attitudes of other MNC units increases the likelihood of successful knowledge transfer. For managers and business practitioners these findings imply that engagement in politics can be constructive and could, therefore, be encouraged and carefully managed. My study also implies that taking a snap-shot view on intra-MNC knowledge transfer may provide limited understanding. This view might not reveal the important political processes underlying knowledge transfer and influencing its outcomes over time.

9.4 Limitations and openings for further research

The inferences made on the basis of this study must be qualified in the light of its limitations. The aim of this thesis was to increase our understanding of the HQ-subsidary knowledge transfer processes for which a longitudinal, exploratory case study design was most relevant. However, the basis for drawing strong conclusions on several cases is limited. As such, this thesis should be seen as an early attempt to investigate evolutionary and power processes underlying HQ-subsidary and acquirer-target knowledge flows. By recognizing that subsidiary strategies influence changes in HQ-subsidary knowledge transfer, and that power relations between firms impact their political behaviour in transfer and absorption of knowledge, I argue that more research should be done to investigate these processes and also test their economic implications. Case studies are generalizable to theoretical propositions but not to the population (Yin, 2009), and causal links between power imbalance, political action and knowledge transfer outcomes should be established empirically in the large-scale studies.

I studied the power processes in post-acquisition knowledge transfer where relatively small firms have been acquired by relatively large companies operating in the same industries, with market access as the primary goal. This may have had consequences for the role of power in the knowledge transfer. Future studies could explore the power mechanisms in acquisition knowledge transfer with relatively large target firms acquired for their unique technological or product-related know-how.

This study also incorporates external environment factors in theorizing HQ-subsubsidiary knowledge transfer. The role of institutions (e.g., national cultures, market structures, legal systems) is important for understanding disseminative and absorptive capacities of MNC units, yet little research has been done to investigate their impact. A thorough examination of these macro-micro level interactions in large scale studies may facilitate the development of a more comprehensive theory of intra-MNC knowledge transfer. In this thesis, I analyse HQ-subsubsidiary knowledge transfer in emerging economies where transfer of knowledge and associated power processes may be contextually embedded. I encourage future studies to explore the role of power and politics in knowledge transfer within other empirical contexts.

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Appendix 1: Case study firms

NordCorp

NordCorp AS is a diversified real estate company, which primarily focuses on property development and management. The company is one of Norway's leading property developers with operations both in Norway and abroad, mainly in Baltic States and Russia. In Norway, *NordCorp* is involved in several large urban development projects alongside ownership and management of office and parking properties in Oslo. The company has a large part of its portfolio in the Baltic States, primarily in the hotel and shopping centre sectors, with centrally located properties in Riga, Tallinn and Vilnius. Moreover, the company has developed and currently manages a resort property in Portugal and owns several hotel real estate properties in Russia.

In 2012 *NordCorp AS* Group operating revenues totalled NOK 736 million and the company posted a net gain of NOK 592.6 million. *NordCorp AS* is a wholly owned subsidiary of the Norwegian family-owned firm, operating worldwide within cruise-industry, shipping/offshore and financial investments. The company as it exists today is the result of a merger in 1998 between domestic real estate developers.

NordCorp AS is headquartered in Oslo (Norway) and has 24 full-time employees (2012).

BaltCorp

Since 1998 *NordCorp* has developed, built and managed 6 traditional shopping centres of large (2), medium (3) and small (1) size²⁸ in Riga and Tallinn through its local subsidiary *BaltCorp*. During 1998-2004 *BaltCorp* operated under the joint venture agreement between *NordCorp* and two Norwegian retailers. In May 2004 *BaltCorp SIA* became a fully owned subsidiary of *NordCorp* and managed shopping centre operations in Latvia and Estonia ever since. In 2006 *NordCorp* sold three of its shopping centres to the Norwegian institutional investor, and are currently managed by *BaltCorp*. *BaltCorp* competes in the retail real estate market of large and medium-size traditional shopping centres in Riga (35.1% of total GLA in operation, from which 17% is owned property), and operates the second largest shopping centre in Tallinn with 1/5 of large-size traditional shopping centre market share (21.7 % of total GLA in operation).²⁹ The long-term goal for *BaltCorp* is to stay at the top of the heap when it comes to developers and managers of shopping centres in the Baltic States.

²⁸ Drawing on ICSC's 'Pan-European Shopping Centre Standard' (2005), a shopping centre is defined as a retail property that is planned, built and managed as a single entity, comprising units and "communal" areas, with a minimum gross leasable area (GLA) of 5.000 square metres (m²). A traditional centre is an all-purpose scheme that could be either enclosed or open-air and classified by size. 'Very large' shopping centres are of 80.000 square metres and above; 'large' shopping centres are of 40.000-79.999 square metres; 'medium' size shopping centres are of 20.000-39.999 square metres and 'small' shopping centres are of 5.000 – 19.999 square metres. (Source: www.icsc.org)

²⁹ Data is drawn from ICSC Shopping Centre Directory (2013), *NordCorp* Annual Report (2012) and *BaltCorp* website (accessed on July 2013).

BaltCorp SIA is headquartered in Riga (Latvia) and has 44 full-time employees (2012).

AcqHotel

The AcqHotel is one of the most dynamic and fast growing hotel companies in the world. It is a publicly listed hotel management company featuring a portfolio of 440 hotels with 96,000 rooms in operation and under development in 72 countries across Europe, the Middle East and Africa. AcqHotel operates several upper upscale and mid-scale hotel brands and employs 35,000 people. Each hotel in the AcqHotel operates as a revenue-generating unit that focuses on brand offerings in the respective geographical market. Typically, hotels pursue competitor analysis in respective markets, and have discrete sales plans and campaigns. The AcqHotel operates its hotels under the management, franchise or lease agreements with hotel owners.

The AcqHotel is a member of one of the world's 10 largest hotel groups that includes a portfolio of more than 1,340 hotels in operation and under development with a footprint spanning over 105 countries and territories and a set of global brands. The corporate head office of the AcqHotel is based in Brussels, Belgium.

TargetHotel

By 2010 the TargetHotel Hotel Group was a leading hotel chain in the Baltic region which operated 10 hotels with 2367 rooms in Lithuania, Latvia, Estonia and Russia (St. Petersburg) under the TargetHotel brands. The TargetHotel hotels were owned by NordCorp AS, one of Norway's leading property development companies, and operated by its subsidiary TargetHotel Hotel Management with headquarters in Riga, Latvia. A local hotel operator TargetHotel was important for NordCorp in achieving its development goals in the region and in the creation of hotel portfolio of high international standards.

In April 2010 NordCorp announced a long-term hotel management agreement with AcqHotel for 10 TargetHotel hotels in the Baltics. Under the management agreement, *AcqHotel* assumed management responsibility for *TargetHotel* branded hotels in the Baltics and Russia, and gained long-term control over hotel operations for a management fee in return. The agreement also stipulated a rebranding and integration of TargetHotel hotels into AcqHotel, which implied transfer of new brand standards, operational routines, managerial competences and corporate culture. NordCorp's strategic rationale behind the deal was the need to refocus on real estate development and investment while also ensuring a revenue growth of its Baltic hotels. It was believed that an internationally renowned hotel player, such as AcqHotel, having a strong sales organization and well known international brands can contribute to achieving these goals.

The management agreement between NordCorp and AcqHotel came into effect on June 1, 2010 and included 3 hotels in Riga, 2 hotels in Tallinn, 2 hotels in Vilnius, and 1 hotel in each Kaunas, Klaipeda and St. Petersburg. The agreement added a total of 2,367 rooms to AcqHotel's portfolio. All TargetHotel hotels were rebranded into the AcqHotel hotels and integrated as

revenue generating units into the global hotel group. Under the agreement, AcqHotel opened a new supervisory and support office in Riga, and NordCorp continued to own and develop the properties. 1,200 TargetHotel employees maintained their positions with no change in terms of employment and employee relations.

AcqIT

AcqIT is a leading IT group in the Nordic region. Its services includes IT Operations and Solutions. The firm employs about 3900 people, and has grown mainly through mergers and acquisitions. Since 2003 AcqIT has been through a consolidation phase, focusing on core business areas and regaining profitability. This included cost cutting, divesting non-core and unprofitable business. AcqIT has since the start of the study period been a growth strategy, including both organic growth and growth through acquisitions.

TargetIT

The TargetIT acquisition involved TargetIT MNC transferring the operations of its IT systems, 26 customer contracts and 470 employees to AcqIT. TargetIT's external customers included in the deal were mainly in trade and industry and the public sector. The acquisition was communicated externally and internally as a means for AcqIT to both strengthen its market position, and contribute to growth in the Nordic market. The acquisition was to provide AcqIT with capacity and expertise, contribute to economies of scale, and facilitate competing for large operating contracts. In addition, the deal included AcqIT being TargetIT's preferred partner for all its Nordic IT-operating services. TargetIT was to be fully integrated into the AcqIT organization. The acquisition also included a substantial downsizing (about 150 man-years), as there were some overlap in the two businesses.

Appendix 2: Interview guide

Topic	Questions / issues ³⁰
Introduction	<ul style="list-style-type: none"> ▪ Presentation of myself and the research project ▪ Presentation of data requirements and timeline ▪ Reassuring confidentiality, informing about previous rounds of interviews and/or referrals (when applied), recording the interviews
Informant	<ul style="list-style-type: none"> ▪ Background information, e.g., education, prior work experience, responsibilities in the firm ▪ In what role and how intensively do you interact with parent firm HQ / subsidiary / acquired BUs?
Firm	<ul style="list-style-type: none"> ▪ Firm's evolution, competitive environment, strategy, structure ▪ What motivated foreign market entry of the parent firm? Have expectations been met, so far? ▪ Describe the unit you work in
HQ-subsidiary relations / post-acquisition integration	<ul style="list-style-type: none"> ▪ Walk me through the HQ-subsidiary relations (e.g., subsidiary mandate, HQ involvement, changes along the way) ▪ Describe the integration process of newly acquired hotel units (e.g., communication of the deal, feelings about acquisition, integration initiatives) ▪ How do you communicate and interact with HQ / subsidiary / BUs? ▪ How does each partner contribute to this relationship? ▪ What are the biggest challenges for HQ-subsidiary (BU) cooperation today? (e.g., excessive HQ control, lack of trust, underperformance)
Knowledge transfer	<ul style="list-style-type: none"> ▪ What are the core competences of your firm? Do you transfer your know-how (e.g., skills, capabilities, "best practices") to other parts of the MNC? ▪ Who transfers and who acquires knowledge in HQ-subsidiary/BU relationship? What types of knowledge one transfers? ▪ How would you describe the behaviours of HQ and subsidiary (BU) managers when they transfer and acquire knowledge? ▪ Have you used partner firm's knowledge in your business operations? (examples) Was knowledge transfer beneficial / difficult? ▪ Have you encountered any differences in the type of transferred knowledge and the way it is transferred over time? (what, examples)
Concluding remarks	<ul style="list-style-type: none"> ▪ Challenges for the future (e.g., growth, relationships with HQ)? ▪ Could you recommend anyone from the firm or outside who could be a valuable informant for me?

³⁰ This interview guide was used as a template in both cases of my Thesis (i.e., NordCorp-BaltCorp and AcqHotel-TargetHotel cases), in the initial stages of data collection. As this research progressed, questions to the informants were adapted to each case and became more specific. For example, in the AcqHotel-TargetHotel case, I focused more on power plays in knowledge transfer during later stages of data collection.