European Management Journal (2013) 31, 179–195

journal homepage: www.elsevier.com/locate/emj

Towards a multi-perspective model of reverse knowledge transfer in multinational enterprises: A case study of Coats plc

Martina McGuinness [a], Mehmet Demirbag [a,*], Sasanka Bandara [b]

[a] *Management School, The University of Sheffield, 9 Mappin Street, Sheffield S1 4DT, UK*
[b] *Stretchline (Private) Limited, Lot 89, BEPZ, Walgama, Malwana, Sri Lanka*

KEYWORDS
Reverse knowledge transfer;
MNE;
Knowledge management

Summary The conventional role of corporate headquarters as the sole engine of knowledge creation within the multinational enterprise (MNE) is changing. Increasingly, geographically dispersed subsidiaries need to function as neural networks, reverse transferring knowledge to headquarters. This study explores the attributes that stimulate reverse knowledge transfer within MNEs. Firstly, a multi-perspective model of reverse knowledge transfer (RKT) is created conceptualising the process as predicated upon knowledge creation and knowledge transfer. Constructs of this model are then operationalised within Coats plc, a UK based multinational and global market leader in the textile industry. A key benefit of the proposed new model is that it allows for maps of capabilities in RKT to be created. This has important implications for management practice by providing managers with a potentially significant tool for strategic analysis based upon an integrative perspective on factors underpinning RKT.

Introduction

MNEs dominate today's business landscape and it is estimated that they collectively account for over 90% of current world trade (Petras & Veltmeyer, 2007). The world's largest MNEs are equivalent in their economic importance to some medium size economies (Bartlett, Ghoshal, & Beamish, 2007), also pioneering most of the world's research and development (R&D) and owning most of the patents worldwide (Buckley, 2006). The process of globalisation continues to impact upon the MNE by, for example, influencing an increasingly precise use of location and ownership as a source of competitive advantage (Buckley, 2009; Buckley & Ghauri, 2004). However, at the same time, this increases the pressure to balance the needs of the 'global' (and accompanying centralisation) and the 'local' (with its emphasis on decentralisation). One illustration of a response to these conflicting demands is the emergence of the transnational structure whereby the organisation neither completely centralises nor decentralises key activities. Instead, these activities are dispersed, specialised and interdependent (Bartlett & Ghoshal, 2002), whilst at the same time an integrated network of assets and capabilities is maintained so that the MNE can remain efficient and

* Corresponding author. Tel.: +44 (0)114 2223441; fax: +44 (0)114 2223348.
E-mail address: m.demirbag@sheffield.ac.uk (M. Demirbag).

0263-2373/$ - see front matter
http://dx.doi.org/10.1016/j.emj.2012.03.013

flexible. Globalisation means that factors of paramount importance to the MNE are technology, knowledge and capital rather than traditional assets such as land (Buckley, 2009; Demirbag & Glaister, 2010). Capturing and leveraging these factors becomes increasing complex and challenging in the 'global factory' creating further difficulties in addressing the imperative to transfer knowledge effectively across organisational boundaries (Kogut & Zander, 1992). At the same time, effective knowledge transfer is vital for the MNE. Indeed, some commentators argue, the MNE owes its very existence to its superior ability to internally transfer knowledge, more effectively and efficiently than through market mechanisms (Foss & Pedersen, 2002; Kogut & Zander, 1993). Clearly then, a key challenge for the MNE in the 21st century is to respond, proactively, to the inherent difficulties of effective knowledge transfer within the context of an ever shifting paradigm of globalisation.

Traditional models of knowledge transfer as exemplified by the Hymer—Kindleberger approach (Hymer, 1976) focus upon the conventional forward transfer of knowledge from headquarters to foreign affiliates. However, one impact of globalisation is that knowledge transfer takes place across multiple dimensions (space, time, language, culture etc.) as well as in multiple directions (forward, backward and lateral). As an exemplar, empirical evidence shows that foreign direct investments decisions (FDI) can be driven (at least partially) by the desire to gain knowledge (Foss & Pedersen, 2002; Frost, 2001). This presents the spectre of reverse knowledge transfer (RKT) as an important consideration in the MNE's search for competitive advantage. A comprehensive review of recent publications indicates that RKT is emerging as an area of increasing interest to researchers (Michailova & Mustaffa, in press). This study adds, conceptually and empirically, to this burgeoning topic of research by developing and empirically analysing a conceptual framework for RKT. Further, whilst empirical research on knowledge transfer has been critiqued for being largely situated in developed economies (Buckley, Clegg, & Tan, 2003; Yang, Mudambi, & Meyer, 2008), or predominantly Eastern Europe (Cui, Griffith, Cavusgil, & Dabic, 2006; Yang et al., 2008), this study presents data garnered from a case study of a British global MNE which spans RKT process from developed to developed economies (US—UK) as well as less developed to developed economies (Sri Lanka—UK; Turkey—UK). A case approach is particularly appropriate where data is gathered from cross-border and cross-cultural settings (Ghauri, 2004) and novel perspectives are offered with respect to the geographical (Michailova & Mustaffa, in press) and economic dimensions of the data utilised. From a methodological perspective, there is also some novelty in terms of the study's empirical approach, given the under-utilisation of the case method in international business research (Marschan-Piekkari & Welch, 2004; Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2011). Finally, the use of the textile industry as the focus of the research offers significant benefits. This is a mature industry which has been subject to significant change resulting from the forces of globalisation and technological development and is highly competitive with manufacturing globally distributed (Buxey, 2005). This case study presents insights based upon data gathered from two of subsidiaries based in emerging economies for which the textile industry is of significant economic importance. Furthermore, although work has been carried out from a cross-industry perspective which includes mature industries (Piscitello & Rabbiosi, 2006; Rabbiosi, Mudambi, & Piscitello, 2007), there is a lack of empirical work on RKT focused solely in the textile manufacturing industry. Liberalisation and low production costs in less-developed and emerging economies have been influential in the locating of subsidiaries by the MNE, and consequently the effectiveness of knowledge transfer and, increasingly RKT, is of vital importance within the globally distributed textile industry (Nordås, 2004). This study actively integrates this industrial dimension by studying subsidiary RKT and thereby helps to explain mixed findings in the extant literature. Finally, Michailova and Mustaffa (in press) have highlighted the narrow representation of empirical work on subsidiaries across more than two countries. Our approach follows one of their suggested guidelines for future research by examining subsidiary knowledge flows in a diversified geographical context through an exploration of knowledge flows with respect to three geographically dispersed subsidiaries (US, Turkey and Sri Lanka) and its U.K headquarters.

Literature review and model development

Historically, the search for competitive advantage has been oriented around endogenous factors as embodied by work by Penrose (1959) and the resource-based view (RBV) or exogenous factors as proposed by Porter (1980) and the Industrial Organisation (IO) School. As the core of its paradigm, the resource-based view (RBV) views the application of strategically significant resources available at the firm's disposal as key to competitive advantage (Barney, 1991; Penrose, 1959; Teece, Pisano, & Shuen, 1997). Evolving from this perspective, scholars have explored the process by which organizations develop capabilities of strategic significance (Eisenhardt & Martin, 2000; Grant, 1996a, 1996b; Kogut & Zander, 1993; Nonaka, Byosiere, Borucki, & Konno, 1994). Kogut and Zander (1992) recognize the firm's combinative capability; its ability to generate new applications from existing knowledge, as an asset of strategic importance. There is recognition that research into organisational knowledge transfer is in its relatively early stages (van Wijk, Jansen, & Lyles, 2008). Nonetheless, there is consensus that knowledge transfer is complex and inherently problematic, whether across firms (Easterby-Smith, Lyles, & Tsang, 2008); within regional clusters (Tallman, Jenkins, Henry, & Pinch, 2004); across strategic alliances (Mowery, Oxley, & Silverman, 1996; Simonin, 1999); or between units within the firm (Szulanski, 1996). Some (such as Inkpen & Pien, 2006; Inkpen & Tsang, 2005) argue that knowledge transfer across firms poses greater difficulty that between units of the same firm, whilst others highlight the performance implications of lack of knowledge flows which lead to subsidiary isolation (Monteiro, Arvidson and Birkinshaw, 2008). Overall then, it is safe to say that research in this area is as yet fragmented reflecting its inchoate state (see Michailova & Mustaffa, in press for an overview of the literature).

Knowledge flows between parent and subsidiary have been explored with some acknowledgement of the need for more than unidirectional knowledge flow (Bjorkman,