Knowledge Transfer to the Subsidiaries: A Case Study of Multinational Enterprise Operating in Overseas

José Moleiro Martins
ISCAL (Instituto Superior de Contabilidade e Administração de Lisboa)
Avenida Miguel Bombarda, 20, 1069-035 Lisboa – PORTUGAL
Tel: +351965161257 E-mail: zdmmartins@gmail.com; jdmartins@iscal.ipl.pt

Abstract: The business opportunities in Southern Africa have justified any effort to learn more about the phenomenon of the transfer of knowledge to the local subsidiaries. We studied four cases with activities in the industrial sector. The results obtained indicate that an efficient transfer of knowledge from the source to the recipient depends on the source’s ability to transfer this knowledge; the climate of cooperation between the source and the recipient; and the absorptive capacity of the recipient, where the intervention of the expatriates with a profound knowledge of the African reality is fundamental to the creation of a climate of trust.

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1. Introduction

The competitiveness of enterprises is based on knowledge which in turn is associated to learning as a process that develops the abilities of an individual in a continuous way. Thus, knowledge is created by individuals in a context of a collective aspiration in which they are constantly learning.

Knowledge is more than information, since it involves understanding obtained through learning and experience. On the other hand, experience is a form of acquisition and accumulation of knowledge that can be transferred by personal interaction as a means of learning. However, the creation of knowledge depends on information, whereas the development of relevant information requires the application of knowledge. In fact, information becomes knowledge, when it is presented within a context. Knowledge results from the process of tacit learning founded upon the basic environment or on the way of living, as well as from the experience of each individual (Nonaka and Takeuchi, 1995; Polanyi, 1966).

In these terms, tacit knowledge is not easily visible and expressible, because it is highly personal, and difficult to formalize, which makes it difficult to communicate and share with others. Its acquisition is possible by observation, thus becoming partially identifiable and being transformed into explicit knowledge by way of metaphors and reflection spelled out in systematic and formal language (Nonaka, 1991). In this way it is possible to share it. Explicit knowledge can be processed, transmitted and accumulated relatively easily. That is why tacit knowledge is more easily communicated and shared within the organization after having been articulated as explicit knowledge.

An organization (or enterprise) is an entity, where the creation and sharing of knowledge happen in a context of individual interactions in creative activities that are the responsibility of all of their members. Given the turbulence that characterizes business in our days (e.g. reduction of the life cycle of the product, constant technological up-dating and new competitors who supply new products that incorporate more advanced knowledge), this occurs through the adaptation or development of the individuals’ abilities based on the existing knowledge of the organization.
The improvement of the organizations’ learning ability has to do, on the one hand, with the acquisition of know-how in order to resolve specific problems resulting from present day premises. On the other hand, it depends on the establishment of new premises to substitute the existing ones. The innovating learning organization is based on the convergence of principles and practices which gradually influence their employees with respect to the institution’s interests and ways of acting. The individuals study, master and integrate this combination of principles and practices into their current activities (Senge, 1990). In fact, the learning organization is founded on the articulation of orienting ideas, continuous experimenting and the individuals’ consciousness that they belong to a common objective in an environment of uncertainty like the Mozambican market.

The objective of this paper is to provide information for the companies that pretend to transfer knowledge to their subsidiaries situated in a Least Developed Country (LDC) like Mozambique, because of the local operative specificity.

Summarizing our results, we find that the transferred knowledge must be directed at the operational needs felt locally. It is important to avoid that the receiver believes the transferred knowledge is imposed by the transmitter in order to be used in the production of new products, but without reproducing the headquarters’ business model.

The rest of the paper is organized as follows: in the next section, the business environment in Mozambique is described. The second section describes the knowledge transfer from the headquarters to the subsidiaries. This section is structured in three components: (1) knowledge basis and transfer ability of the headquarters; (2) environment of collaboration between the transmitter and the receiver; and (3) organizational learning and absorptive capacity of the subsidiary. The third section deals with the methodology employed in the study, namely the sources of data and the data analysis. The results are presented in the fourth section. The final section provides some conclusions and practical implications of research findings for a better understanding and greater efficiency of the process of knowledge transfer to the subsidiaries situated in a LDC.

In 1993, the Mozambican governmental authorities adopted an ‘open door policy’ by revising the ‘general regulating system’ of the foreign direct investment (FDI). This measure simplified the process of approving investment projects in order to captivate foreign capital and advanced knowledge for the modernization of the country’s economy.

From this perspective, the Mozambican government initiated in 1987 the implementation of reforms directed at the establishment of a market economy by means of a ‘program of structural adjustment’. Following the ‘general peace agreement’ in 1992, this was reinforced during the 1990’s. The subsequent rapid growth of the economy, macroeconomic stability and the reduction of poverty turned Mozambique into an attractive destination for FDI. In 2005, FDI came from 27 countries, among which special mention is due to South Africa, Great Britain and Portugal, as well as to China which occupies the sixth place.

The entry of Portuguese FDI into the Mozambican market took place via the acquisition of existing installations and the creation of joint ventures with the Mozambican enterprises. The next step was to establish contracts for technical assistance with a view to improve the local abilities as well as the local technological know-how through the access to new knowledge. The transfer process of this new knowledge will be analyzed below.

2. Knowledge Transfer from Headquarters to Subsidiaries

The knowledge transfer is a process instituted between two organizations (source and recipient) which are structured in three components that will be analyzed in the next paragraphs.

2.1 Knowledge basis and transfer ability of the headquarters

The multinational company (MNC) transfers knowledge to its subsidiaries when (1) the basis of knowledge held by the headquarters confers a differential operative ability to the subsidiary; (2) there
is the ability to transfer and exploit the knowledge more efficiently within the framework of the MNC’s activities than by means of external market mechanisms; and (3) type and age of the used technology is a factor of local competitiveness (Conn and Yip, 1997; Dierickx and Cool, 1989; Ghoshal and Bartlett, 1990).

However, the transfer of knowledge requires the existence of related knowledge in the subsidiary in order for it to be able to understand the transmitted knowledge. That is, it requires the presence of individuals sharing a common language who possess technical skills and technological competencies in the area of the new knowledge, thus rendering its acquisition and assimilation possible. The ability to evaluate and use external knowledge depends largely on the level of related knowledge mastered by the managers in the transfer process (Chaudhuri and Tabrizi, 1999; Gupta and Govindarajan, 2000).

The choice of the transfer mechanism and the type of knowledge being interrelated, broader means of communication are used to transmit tacit knowledge. These may take the form of, e.g., visits by individuals or by the team and the sharing of experiences. In these situations, the transmitter is able to express what he does not succeed in transmitting by means of written communication, which is more suitable for the transmission of explicit knowledge.

On this basis, it is important to choose the appropriate means of transfer to pass the knowledge efficiently, right in the initial stage of establishing the subsidiary. In this phase, the expatriates act as agents who facilitate the transfer of specialized knowledge and best practices in a multidimensional (i.e. social, organizational and relational) context. It is also in this context that a set of rules for functioning are divulged. The success of these manifests itself, e.g., in the increase of the employees’ abilities, the improvement of performance and, ultimately, the withdrawal of the expatriates from the receiving organization (Argote and Ingram, 2000; Downes and Thomas, 2000; Mowday and Sutton, 1993).

In short, the knowledge transfer is a process by which an organizational unit (subsidiary) is affected by the accumulated knowledge of another (headquarters) by way of learning actions in an environment of cooperation between the transmitter and receiver. The aim is to locally reproduce a specific functional pattern or product, with a commercial purpose.

In this context, the following question has to be asked:

*Which are the factors that determine the process of knowledge transfer from the MNCs to their subsidiaries, as far as the acquisition and assimilation of this knowledge is concerned?*

### 2.2 Environment of collaboration between the transmitter and the receiver

The organizations also learn from the experiences of others. The individuals, technology and culture of the organization constitute repositories of knowledge. The knowledge is transferred by moving repositories from one unit (source) to the other (recipient) or by modifying the repositories of knowledge in the receiving unit. However, the differences in the abilities, culture or technological skills of the members of the organizations may lead to a situation where the acquired knowledge is less relevant than the knowledge existing in the recipient (Hayes and Clark, 1986; Jansen *et al.*, 2005; Szulanski, 1996). As a result, the success of the transfer of knowledge depends, on the one hand, on the visit by individuals from the MNC, because these are able to secure its adaptation to the local context and contribute to its perfect comprehension. On the other hand, it depends on its implantation in the technology (e.g. in products and instruments), because it allows large-scale transfer of a relatively independent mode of the participants’ idiosyncrasies, although with faster losses of knowledge than in the reproduction of tasks focussed on the individuals (Darr *et al.*, 1995; Epple *et al.*, 1996; Leonard-Barton, 1988).

Since personal communication is of essential importance for initiating and facilitating the transfer of knowledge, the personal interactions are either encouraged or restrained by the trust that exists between the transmitter and the receiver. Hence it is fundamental that the leadership promotes an environment that is favourable towards a pro-active attitude of searching for knowledge through
developing a relationship of trust between individuals of different cultures based on the personal contact in a process of socialization. This process develops in an area of interactions that facilitates the sharing of tacit knowledge and, consequently, the production of knowledge that is well understood, like the technical skills. The sharing of social, cultural and linguistic aspects stimulates the inter-organizational cooperation and learning in which some factors emphasize the motivational predisposition of the headquarters to share its knowledge with the subsidiary (Ghoshal and Bartlett, 1988; Håkanson and Nobel, 2001; Levitt and March, 1988; Osterloh and Frey, 2000). These factors are, among others, the way of entering the market and the structure of associated ownership, geographical localization as well as the dimension of the subsidiary. In the same way, the motivation of one unit situated in a LDC to acquire knowledge from another unit of the organization situated in a developed country exists in accordance with variables like learning incentives given to the managers, poor stock of local knowledge and coercive pressures exerted by the headquarters.

However, apart from the nature of the particular knowledge, the lack of motivation on the part of either the transmitter or the receiver as well as the particularity of the organizational context, the syndrome ‘not invented here’ acts as an obstacle to the entry of this knowledge into the subsidiary (Katz and Allen, 1982).

In conclusion, the knowledge transfer is based on flows of knowledge of specific operative areas, where the familiarity with the new knowledge and the individual participation in socialization mechanisms improve the quality of the communication channels and, consequently, the subsidiary’s absorptive capacity. The mechanisms can be individual contacts during the transmission of experience as well as informal meetings which create mental models and mutual trust.

On the basis of what has been referred above, the following question may be asked:

**In which way does the organizational learning set in motion in the subsidiaries during the transfer process influence the amplitude of the transferred knowledge?**

### 2.3 Organizational learning and absorptive capacity of the subsidiary

Organizational learning is more efficient when the skills and abilities owned by the individuals in the subsidiaries, allows them to recognize and comprehend the new knowledge, thus leading to the creation of other abilities adapted to the new demands of the market (Barney, 1991; Floyd and Lane, 2000; Teece et al., 1997).

The occurrence of certain events (e.g. poor performance, creation of joint ventures, technological alterations and changes of government policy) calls for a different type of knowledge that is either not available within the organization or is not easily obtained on the market (Kim, 1998; Veugelers and Cassiman, 1999). This in turn motivates the organization to invest in its absorptive capacity, which is the result of the organization’s current basis of knowledge plus the employees’ ability to learn. It is needless to say that a flexible organizational structure originates superior abilities in terms of knowledge acquisition (Dodgson, 1993; Lyles and Baird, 1994).

This means that there is a connection between the individual absorptive capacity and that of the organization, which varies according to the context of learning.

Although the capabilities of understanding and assimilating external knowledge are interdependent, it may occur that the subsidiary has the (1) ability to acquire the transferred knowledge (i.e. to identify and acquire knowledge created in other units of the MNC and (2) to assimilate it (i.e. to develop processes and routines in its organization that enable it to analyze, process, interpret and understand knowledge obtained from external sources), but does not possess the (3) capability to transform (i.e. to develop and refine the usual procedures which allow it to combine the existing knowledge with the acquired and assimilated knowledge) and (4) exploit it (i.e. apply productively and commercialize the external knowledge in order to obtain the organization’s objectives) (Fichman and Kemerer, 1999; Keller, 1996; Van den Bosch et al., 1999). The combination of all of these four capabilities makes up the explored absorptive capacity.
The available absorptive capacity does not necessarily mean that the subsidiary performs better, since in order for this to happen it is necessary to incorporate the assimilated knowledge in its productive and commercial operations.

In short, the subsidiary with a flexible organizational structure facilitates inter-organizational learning of new knowledge by combining it with the present knowledge, and subsequently applying it in the productive process. Thus, the improvement of the recipient’s performance depends on its ability to adapt and internally spread the knowledge transferred from the source via the formation of new skills that are adequate to the reality of the new market. The ability to learn is important, but it is the result of the application of new knowledge that influences the subsidiary’s performance.

Following these considerations, the following question has to be asked:

*Which measures are adopted to improve the absorptive capacity of the employees, thus giving rise to an improvement of the subsidiaries’ performance?*

In conclusion, our research focuses on the understanding of the phenomenon of knowledge transfer in a way that (1) we get to know the situation that exists in a particular context where the intervening parties (transmitter and receiver) are acting, (2) we understand the influence which this context has on their actions and (3) we get to know the process through which things are occurring by focusing on the individuals’ training. This purpose is taken up again in the objectivity of a qualitative research as typified in the next section.

### 3. Methodology

#### 3.1 Sources of data

The sources of the data used in this study were semi-structured interviews. The interviews were carried out with top managers who are responsible for or directly accompany the operations of the knowledge transfer. They follow an interview protocol that was applied to all the interviewed individuals. The interviews had the duration of one hour, and the respective report was elaborated subsequently within a period of twenty four hours.

Given the qualitative nature of the research questions, the case study method was used to comprehend the phenomenon.

The method of case studies as research strategy is defined by the interest in individual cases (Yin, 1994). In practice, this research is a study of collective cases grouped together with a certain variety of operative activities, where a small subpopulation of accessible cases was chosen from a wide population of hypothetical cases. In this subpopulation, a convenient sample was defined that consisted of four cases which seemed to be suitable for learning about the process of knowledge transfer based on the qualitative analysis of cases, the procedure of which will be treated in the next section.

Table 1 shows that, the companies under research adopted operative modes with regimes of total ownership and with a majority participation in the capital stock of joint ventures formed with local operators. The principal activity of company 1 takes place in the sector of telecommunications.

<table>
<thead>
<tr>
<th>Enterprise</th>
<th>Type of activity</th>
<th>Number of employees</th>
<th>Volume of business, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Telecommunications; Industry</td>
<td>2015</td>
<td>$87 \times 10^6$ €</td>
</tr>
<tr>
<td>2</td>
<td>Energy production</td>
<td>93</td>
<td>$41 \times 10^8$ €</td>
</tr>
<tr>
<td>3</td>
<td>Plastics industry</td>
<td>52</td>
<td>$12.7 \times 10^8$ €</td>
</tr>
<tr>
<td>4</td>
<td>Electromechanical and Electronic industry</td>
<td>125</td>
<td>$18.5 \times 10^8$ €</td>
</tr>
</tbody>
</table>
Companies 2, 3 and 4 operate in the industrial sector at the level of the production of energy, plastics and electro-mechanics and electronics, respectively. The companies’ dimensions vary between 52 and 2105 workers, the business volume ranging from 12.7 to 87 million Euros in 2008.

3.2 Data analysis

In this phase, the transformation of data occurs in a process where the gathered information is condensed, classified and connected in the course of the analysis. Not being immediately available to be analyzed, this information has suffered a treatment based on the (1) complete transcription and analysis of the interviews according to their realization. This helps to focus on them progressively and gain theoretical sensibility; (2) attribution of significance to the data by means of the procedures of systematic inductive (and deductive) analyses by way of the succession of cycles of questions and answers in constant comparison of data. The arrangement and analysis of data is based on classification standards designated as qualitative code, which allows the standardization of the answers; and (3) utilization of a controlled interpretation at the level of the analysis of contents with the purpose of obtaining some understanding in order to answer the research questions. This will be done in the following section.

4. Results

In agreement with what has been said before, we shall now answer the questions posed in the study on the basis of the results obtained by the interviews.

4.1 Factors that determine the acquisition and assimilation of knowledge coming from the MNCs headquarters on the part of the subsidiaries

The results revealed, on the one hand, the existence of a stock of knowledge on the part of the parent MNC with a technological capability that can be transferred to the Mozambican market without local competition (cases 1 and 4). On the other hand, they showed the availability of a park of deactivated machinery the utilization of which confers a competitive advantage to the subsidiary, inasmuch as this type of industry does not exist in Mozambique (case 3). Since the recipient’s stock of knowledge is very poor, the accumulated knowledge from the source, by way of the transfer of knowledge based on employees who know the African reality, supplies the subsidiary with operative abilities (cases 1 and 2). The combination of this transferred knowledge with the recipient’s assets of knowledge generates gains in local competitiveness (e.g. at the levels of the construction of safer infra-structures, the logistics regarding the acquisition of raw materials or equipments, the management of points of sale as well as marketing procedures) (case 2).

According to the interviewed managers, the people of Mozambique like to learn, and for historical reasons common references exist between the Mozambican culture and the headquarters’ home culture. The necessity to train the Mozambican workers results also from the local culture of the organization (which is characterized by the individuals’ retraction in their search for knowledge). Hence it must be avoided to present the transfer of knowledge as a declared imposition, thus making it easier for the employees of the subsidiary to get involved in this process and feel the necessity of the proposed knowledge.

On the other hand, however, the characteristics of the particular knowledge itself also influence its transfer to the subsidiary. In case 3, the transferred knowledge consists essentially in knowing how to operate the machines of the operative process. The working method at the level of the quality systems requires a personal interaction between who transmits and who receives the knowledge in direct contact with the equipment. The technological abilities are transmitted by the sharing of technical knowledge on the part of key personnel who ‘teaches by doing’ in the field of practices. Thus, in case 1, emphasis is placed on the pattern of operational processes trying to transfer the best practices from headquarters to the subsidiary. In case 2, on the other hand, the transfer of knowledge has to do with the very activities of the business developed in headquarters. The manager of the local
operations requests the type of knowledge that satisfies the necessities as identified in the subsidiary. As in case 3, also in case 4 the accumulated experience plus the technological component are determinant for the transfer process. The production switches from semi-finished products to products that are finished locally, with the warranty of protection against corrosion. This need made it necessary for the subsidiary to locally create a combination of innovating services that did not exist in the parent MNC.

The results obtained suggest that sending specialized managers and technicians to the subsidiaries is the appropriate transfer mechanism to satisfy the conditions required for the successful sharing of knowledge as well as to adapt the parent company’s best operational format to the Mozambican market. The use of the information and communication technologies gains an increased importance in case 3, where there is no recourse to the use of expatriates (i.e. the entire hierarchic structure of the subsidiary’s management is composed of Mozambicans). Still, the existence of a profound trust between the managers of both parties continues to be of fundamental importance in order to insure an excellent functioning, which also presupposes that the activities in the subsidiary are being accompanied by headquarters on a daily basis.

In general, the managers who were interviewed agree that the presence of expatriates in the initial phase of the operational moulding in the subsidiaries fosters and accelerates the transfer of knowledge. The adoption of new practices and work routines incorporating the organizational culture and philosophy of the parent MNC is transmitted during the on-the-job training. This procedure facilitates the individual learning through the participation in actions where experiences are demonstrated and shared which are accompanied by the exchange of opinions among the participants. On these occasions, errors are tolerated in order to create a good relationship between individuals and establish a common language that ‘qualifies’ people for the acquisition and assimilation of the new knowledge. Basically, the intention is to create the conditions the enable the receiver to understand, who is an essential participating element (cases 1 and 3) in the application and consolidation of the technology transferred with the technical accompaniment by the expatriates. This will allow the latter to delegate their functions (case 4) at a later time, when their presence will be reduced as a consequence of the professional development achieved by the employed Mozambicans.

In short, the transfer of knowledge begins with promoting a relationship of proximity between the people involved in the process with a view to emphasizing the importance of the headquarters’ knowledge as regards the satisfaction of the local necessities. The direct participation of the Mozambican workers in the diagnosis of the subsidiary’s operative insufficiencies is very important. The willingness of the managers and technicians to transmit the knowledge, and the availability of the local employees to acquire and assimilate the transferred knowledge through training actions, show an efficient operational performance which fosters the development of the transfer process dealt with below.

4.2 Influence of the organizational learning on the amplitude of the knowledge transferred to the subsidiaries

The results indicate that the business developed locally is not equal to the one that takes place in headquarters. This is explained by the dimensions of the Mozambican market and the profitability of the investments and technologies used, since the subsidiary’s market as such does not demand certain services that exist in the parent MNC (cases 1 and 2). Here sensibility is required with respect to the development of competencies in the subsidiary concerning its adaptation to the business circumstances or to the abilities of the Mozambican workers. In case 1, the number of operative functions of the software programs was reduced in order to facilitate their comprehension and application, thus increasing the amplitude of the transferred knowledge. This functional adaptability of the transferred knowledge may result in an increase in complexity and costs at the level of activities in Mozambique (case 4).
According to the results obtained, the transferred knowledge and the knowledge of the local context about the ‘modus operandi’ on the Mozambican market complement each other (cases 1 and 4). Under this aspect, the type of ownership of the investment and the adopted modus operandi influence the amplitude of the transferred knowledge: first, by the imposition, on the part of the top management, of technologies and practices to be transferred; and second, by the availability of the players in headquarters (specialized technicians and middle managers) to transfer the knowledge to a subsidiary following the identification of its key players (individuals with experience or higher formal education). The key players closely follow the performance of the expatriates with a view to replacing them and, in the continuity of the project, increasing the local autonomy (case 4). In order to obtain this involvement on the part of the individuals regarding the knowledge transfer, the top managers must communicate their operational strategy to all employees. They must also explain to them the usefulness of the information flows between the different units of the organization (case 1).

In their interviews, the managers call attention to the importance of a good interpersonal relationship in order to overcome a certain distance in the initial phase of the transfer and establish some personal affinities. This can be done, e.g., in the course of some local and international meetings of managers (cases 1 and 2), which create an effective knowledge that facilitates communication and reduces the institutional distance between people. Consequently, the more trust there is between headquarters and the subsidiary, the easier it is to transmit and receive knowledge and ask for help every time there are difficulties in the application of new practices that are more technologically advanced.

The practice of cases 3 and 4 indicates that, the Mozambican workers are not familiar with the new knowledge, and indicates that additional efforts in terms of time and resources (financial and human) must necessarily be made when conducting the transfer. The individuals are encouraged to rotate through various business areas and operative functions (case 1) and attend training actions that are part of specific projects at headquarters in order to familiarize themselves with the operational processes. The effort of the intervening parties is rewarded, e.g., with leisure periods during their business trips (cases 1 and 3) and annual rewards for accomplishing objectives (case 2).

In several interviews (cases 1 and 4) the leadership role of the expatriates is emphasized with respect to both, the affirmation of values that generate an environment of cooperation within the organization, and the removal of obstacles to the acquisition of external knowledge. This aims at imbuing the local employees with a pro-active attitude towards resolving the problems and continuously improving the efficiency of the organization.

In short, the amplitude of the knowledge transferred during the training actions depends on the very activities that are being developed locally as a result of the inter-organizational cooperation and the capabilities of the Mozambican workers. The leadership can stimulate the search for and the sharing of knowledge throughout the entire organization, with the purpose to achieve operative improvements by increasing the absorptive capacity of the subsidiary, as will be seen below.

### 4.3 Improvement of the subsidiaries’ performance through increasing the absorptive capacity of the employees

According to the opinions the managers expressed in their interviews, the transfer of knowledge has conditioned the organizational form of the subsidiary by instituting key positions that connect the subsidiary to headquarters. The expatriates function as a ‘bridge’ for the dialogue with headquarters in the solution of problems that emerge with respect to the transferred new technologies. These operational changes generate new routines (cases 1 and 3) associated with the sharing of information among cross-departmental work groups as well as with the making and implementing of more effective decisions through the valuation of the function of middle managers (case 4).

The ability of the employees to acquire and absorb new knowledge depends on whether the transferred practices are adequate to the local context. The transferred knowledge possesses an operational pattern that is sufficiently flexible to allow its adjustment to the subsidiary’s organizational format, in order to be well understood by the local technicians (cases 1, 2 and 4). In fact, there is the concern not to exactly reproduce the business model of headquarters. The reason is
the specificity of the local market as regards the type of product or service the client is willing to pay for — for example, it is not feasible to have self-service operations in service stations in Mozambique (case 2).

The results show that the subsidiary’s learning ability is affected by the lack of interest or lack of adaptation of the individuals to the competencies of the transferred practices. This demonstrates their unsuitability for the local necessities. It also indicates the emergence of resistance against the attempt to impose certain proceedings when these have not been requested and are not considered necessary in the Mozambican situation (cases 1 and 2), or with respect to the commercial approach to the market (case 3).

The absorptive capacity of the subsidiary depends on the knowledge which their members possess as a result of training actions and temporary stays in other, more developed, productive units, during which they improve their individual absorptive capacity. To a certain degree this represents the related knowledge necessary for the subsidiary to be able to maximize the application of transferred knowledge. Thus, the absorptive capacity of external knowledge contributes to the improvement of the recipient’s productivity by way of new functional processes that reduce the duration of certain tasks (cases 1 and 4) with gains in the ability to respond to the demands of the market (case 3). Hence, the existence of realized absorptive capacity in the cases under study reflects their abilities to retain, transform and explore the transferred knowledge in the respective product market.

In short, the process of knowledge transfer requires the direct involvement of the local individuals with respect to identifying operative advantages associated with the available equipment and machinery. The purpose is to encourage them to acquire the technical skills indispensable for their use with a view to increasing the subsidiary’s competitiveness. In this sense, the absorptive capacity is a crucial factor for the success of the progressive consolidation of the practices transmitted through the entire organization. However — due to cultural influences — the Mozambican workers are not always sensible to continuous learning, which makes the process of knowledge transfer more difficult.

According to the results of the interviews, it is feasible to replicate the MNC’s basis of knowledge (the stock of knowledge inherent to its core business) in Mozambique, but with an inferior degree of development. This is imposed by both, the subsidiaries’ poor stock of knowledge and the limitations existing in the Mozambican economy.

The transfer of knowledge goes well, if it is conducted adequately, which means when it is not being openly imposed so that the people themselves may feel the need to learn (cases 1 and 4). It also goes well, if headquarters avoids transmitting knowledge to which the subsidiary does not attribute any value (case 2). Therefore, the expatriates may awaken the interest of the local individuals in the demonstration and experimentation of the transferred practices and, as a consequence, change present operative procedures (e.g. in terms of technical, security and efficiency standards). The first difficulty is to convince the receiver to accept the idea that the transfer of knowledge is necessary. To this effect, the Mozambican workers are invited to visit productive installations that are technologically more advanced, where they can accompany the execution of tasks and get an idea of the production process as a whole. This helps them to understand the advantages the subsidiary can obtain from the successful realization of this transfer of knowledge.

The results show that an ‘interventional’ leadership led by top managers who make the working processes more agile is not sufficient to encourage the local employees to be pro-active in improving the subsidiary’s efficiency. The routine of doing things ‘sufficiently well’ leads to the simplification of the execution of tasks (case 1). This means that the Mozambican workers’ work ethics is distinct from the ethics valid in the parent MNC.

As we have seen, the technological ability of headquarters is not easily transferred, due to the difficulty to obtain similar procedures in the subsidiary. The reason is the low productivity of work as a result of the individuals’ poor qualifications. Hence the necessities of training actions that enable
the individuals to improve their stock of knowledge and, consequently, the subsidiary’s productivity through a greater automation of tasks by the implementation of new work processes.

Below, the main conclusions are presented that result from the transversal analysis of the three dimensions existent in the transfer of knowledge from the MNCs to their subsidiaries in a LDC like Mozambique.

5. Conclusions

Our conclusions indicate that the knowledge transfer to the subsidiaries promotes their autonomy of functioning by making them capable of facing the challenges of competition. The knowledge transfer is influenced by the geographical distance, which advises in favour of the use of expatriates because of the tacit nature of the source’s specialized knowledge. On the other hand, it is also affected by the cultural proximity rooted in the common language and cultural references of transmitter and receiver due to historical factors, which contributes to the understanding of the transferred knowledge. It is of fundamental importance to convince the local people of the usefulness of the knowledge to be transferred from the headquarters to the subsidiary. The process must be conducted in a way that the Mozambican workers feel to be an active part in the operations to be carried out.

However, the poor qualifications of the local people are causing a time-lag of perceptions as compared with the functioning of the MNC home base’s parameters. Cultural values in Mozambique are centred on the family in detriment to the professional duties and, as a consequence, are responsible for the low productivity of work. This prevents the reproduction of the headquarters’ operational performance in the subsidiary.

Our results reveal that the assimilation of knowledge is also dependent on the transmitter’s transfer capacity resulting from (1) the importance that is attributed to the transfer process, (2) the willingness to transfer the knowledge according to the local necessities, and (3) the use of expatriates who are familiar with the African environment and have an attitude of comprehension and tolerance as regards errors and inefficiency during the on-the-job training actions. Apart from this, the amplitude of the transferred knowledge depends on the receiver’s predisposition to learn, on the technical demands of the business and the dimension of the subsidiary.

The present study also indicates that organizational learning depends on the receiver’s assimilation ability as well as on the adequacy of the transferred practices with respect to the local context. On the other hand, encouragement on the part of the leaders with respect to the circulation of information and the participation of the employees in the achievement of common goals contributes to the evolutionary change in the organization. Equally, the sharing of a common work ethics between the transmitter and the receiver, on the one hand, and the increased rigor in the execution of tasks, on the other, help to consolidate the new knowledge in a sustainable way. For this reason, the realized absorptive capacity is fundamental. The application and exploration of the acquired knowledge enables the subsidiary to both, optimize the functional processes due to the improvement of its productivity, and produce new products that result in its increased competitiveness on the Mozambican market.

References