The role of social interaction in knowledge transfer

How do clusters of countries impact the transfer in a Management Consultancy?
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Abstract

Multinational companies in the global economy of today are competing based on strategic knowledge. The ability to send and receive knowledge within different subsidiaries has therefore become imperative for the international firm. There are several known barriers and facilitators to transferring knowledge across different borders. Social interaction is one variable that by some have been shown to positively impact the knowledge sharing within multinational companies. The challenges social interaction bridges are especially related to tacit knowledge, which is foremost shared through face-to-face interaction in social communities. In this study, we investigated this impact in a management consultancy operating in the knowledge intensive service sector. We further investigate the implications of communities in the shape of country clusters and its effects on social interaction and knowledge transfer within the firm. Our findings show that social interaction is only positively relevant in terms of sending knowledge, and not on receiving knowledge. Moreover, our study did not find any significant impact of social interaction on knowledge transfer within the country clusters.
1. Introduction

Mercuri Urval is a privately owned, global, human resources consultancy firm that originated in Sweden 1967. The consultants in Mercuri Urval (MU) are experts at implementing strategies to close the gap between current employee capability (talent) and the capabilities required to realise the full potential of the business. Since the beginning, Mercuri Urval has organically grown into an international consultancy firm currently present in 25 countries across the globe working with over 3000 partners. Mercuri Urval collaborates with companies in all industries and work to provide clients with solutions to keep future business growing. The global reach makes it possible for Mercuri Urval to work with clients operating worldwide and to keep the relationship spanning across nations and cultures. The strategy is to “Think Global act Local”. Having a global presence is a common pattern; especially in consulting firms where the revenue is generated by serving their customers and thus having to be present where the customers are.

In spite of their global ambition, Mercuri Urval has maintained a strong presence in Scandinavia, something that could be attributed the Swedish roots. However, even though Mercuri Urval is an established international player, the company still struggles with finding a solid footing outside of the market denoted as Scandinavia (primarily Sweden, Denmark, Norway and Finland). One of the largest areas of concern is the knowledge transfer within the company. Seeing as the management consultancy has large clients with a global reach, the transfer of knowledge and the company has identified best practices between the different subsidiaries as imperative. However, the mechanisms of transferring knowledge within the company are not yet understood. There have been indicators of groupings in the company, wherein knowledge is largely shared between the members of the group but not to other groups. There have also been indicators of resistance to transferring knowledge between the groups. In order to keep a competitive edge the best knowledge need to be spread throughout the firm and leveraged towards clients and prospective clients. The pinnacle of the obstacles and therefore the concerns are, in relation to the business of Mercuri Urval, organisational learning and knowledge transfer.
1.1. Theoretical Background

Since Hymers (1960) paper regarding the process of internalization as the core in defining the Multinational Corporation (henceforth the MNC) there has been a prevalent interest among researchers and an abundance of papers written on the importance of knowledge management in international organizations (Ghoshal & Bartlett 1990; Gupta & Govindarajan 2000). Some researchers have described knowledge as the “raison d’être” for the MNC (Ambos & Ambos 2012, Grant 1996). Further research also suggests that the MNC is an inter-organizational network of separated and differentiated units; knowledge transfer does therefore take place within this framework (Forsgren 2008). The organizational capability perspective emphasizes history, people and the processes as the key factors for creating the firms sustainable advantage, wherein the routines and practices taking place within the boundaries of the MNC are viewed as the main assets (Forsgren 2008).

In the International Business literature, knowledge has arisen as the number one strategic asset for a firm to leverage and compete with as a differentiator in the marketplace. As mentioned above, several researchers have labelled knowledge as the reason for firms to exist, thus to create, renew and keep its sustainable advantage (Bartlett & Ghoshal, 1986; Gupta and Govindarajan, 2000; Foss & Pedersen 2002, Grant 1996). For organizations working across borders and competing on an international and/or global scale, the ability to transfer, share and create knowledge therefore becomes essential (Bartlett & Ghoshal, 1986; Gupta and Govindarajan, 2000; Foss & Pedersen 2002, Grant 1996). This is especially true since the widespread MNC has the possibility to share, integrate and create knowledge over different contexts, i.e. geographical, social and cultural dimensions (Mäkelä, Andersson & Seppälä 2011). However, different knowledge dimensions require different approaches, thus the challenge of managing knowledge becomes to transpose and share knowledge within the MNC. Tacit knowledge, which is connected to skills and abilities, is generally deemed as especially hard to translate. Nonaka (1994) suggests an approach of incorporating it into organisational practises, routines and values as it therefore will be made explicit. Nonetheless, high level of tacit knowledge will be difficult for managers to change, even if managers can change the mode of acquiring knowledge (Foss & Pedersen 2002). The business network approach suggests that each subsidiary is embedded in a local network, thus being exposed to external and unique knowledge (Bartlett & Ghoshal, 1990; Forsgren, Johansson & Sharma 2000). Gupta & Govindarajan (1994) underlines the importance of sharing knowledge across borders and agrees with above-mentioned researchers in putting knowledge as the sole purpose of the MNC, the reason to why it
exists. Therefore, in the globally dispersed MNC, the cross-border transfer of knowledge becomes one of the prime managerial challenges (Gupta & Govindarajan 1994). Back in 1985, Porter stated that “the mere hope that one business unit might learn something useful from another is frequently a hope not realized” (Porter 1985:352 in Szulanski 2003:3).

However, with the last couple of decade’s progression of technology, some researchers have proclaimed the death of distance, arguing that barriers such as costs of communication and coordination have been substantially lowered or even eliminated nowadays (Panahi et al 2012). The information technology has facilitated various types of “meetings” online and thus provided for information to flow easier and reach distant locations faster (ibid.). Nevertheless, recent research in international business and knowledge sharing has pointed to the prevalence of the challenges to knowledge transfer, especially in connection to geographical and cultural distance (Ambos, Ambos 2012). As Mäkelä, Andersson & Seppälä (2012) argue, the challenges with transferring knowledge across different units or functions is already established, and in addition to these difficulties, distance (geographical, cultural and linguistic) will further aggrandise the barriers related to the internal knowledge flow within the MNC. The authors quote Carlile (2004:566) who suggests that ‘instead of seeing the firm as a bundle of resources ... it can be more completely described as a bundle of different types of boundaries where knowledge must be shared and assessed’ (Mäkelä, Andersson & Säppelä 2012).

Moreover, an important ramification regarding the network view of the MNC is the flat structure, i.e. the lack of hierarchy (authority) between corporate headquarters and subsidiaries (Alvesson 1995:24-27). The sharing dimension therefore becomes further emphasized, since the roles are flexible enough to become reverse, i.e. the knowledge can flow from the subsidiary to the headquarter (Harzing & Noorderhaven 2009). The recognition of the importance of knowledge sharing has led to a body of literature focusing on intra-MNC knowledge flows, which is the transfer of knowledge within an organization, and the barriers to transferring knowledge (Gupta & Govindarajan 2000, Szulanski 1996, Harzing & Noorderhaven 2009).

With this background on the importance of knowledge for the firm and the transfer of knowledge, we now turn to the problem formulation followed by the purpose of the thesis.
1.2. Problem formulation

As mentioned above, tacitness of knowledge is one of the most recognised challenges (Gupta & Govindarajan 2000). In looking deeper into the means behind knowledge transfer, several researchers have found positive relations to liaison, i.e. relationship mechanisms (Harzing & Noorderhaven 2009). For instance, Gupta & Govindarajan (2000) found that both mechanisms for integration and socialization in an organization have a moderating impact on the internal knowledge transfer. Barner-Rasmussen et al (2004) showed that inter-unit visits, international training and committees amongst other “relationship variables” were relevant in facilitating knowledge transfer. In the above-mentioned papers, the face-to-face inter-exchange is an important factor in the knowledge transfer process. Harzing and Noorderhaven (2009) name this factor social interaction and poise the assumption of an independent role, a lead role, for the factor in the knowledge transfer process. The authors argue that social interaction indeed has been seen to play an important role in facilitating intra-firm knowledge flows, but only a moderating one that strengthens other variables by acting as a “pipeline” for the transfer of knowledge (ibid.). Harzing & Noorderhaven (2009) in contrast emphasize the learning perspective in knowledge transfer and argue that the tacit dimension of knowledge is merely shared in a social process, in a dialogue between parties. The authors show an independent and significant impact of social interaction on knowledge flows in their study, but call for further empirical studies on social interaction as an independent factor (ibid.). The authors also mention that future studies could collect data from “several sources”, that is both Headquarters and Subsidiaries (Harzing & Noorderhaven 2009:737-8). Hence, social interaction is expected to form the baseline condition for knowledge transfer within an MNC and the focus of this paper.

The expectation regarding social interaction above will be even further complex in the view of the knowledge intensive service industry, where companies such as management consultancies compete on a knowledge basis, taking existing knowledge and leveraging it to create new knowledge (i.e. innovation) (Sutton & Hargadon, 1996; 1997 in Haas & Hansen 2005). Alvesson (1995:8) states that the emergence of consultancies might be a sign of the growing significance of knowledge. However, the knowledge intensive industry is still somewhat under-researched and further empirically based research regarding the knowledge in such industries has been called for (Werr & Stjernberg 2003). The authors state that further research on the role of knowledge in management consultancies, the “archetype” for the knowledge intensive firm, is most welcome since todays knowledge is somewhat “crude” (Werr & Stjernberg 2003:881). The Management Consultancy could be viewed as less
hierarchical, to some extent homogenous and ad-hoc based than the traditional firm (Alvesson 1995:24). This has implications for the development of the research questions since the “standard” assumption, i.e., that subsidiaries play different roles in the MNC is not applicable in this case (Ghoshal & Nohria 1989; 1993, Gupta & Govindarajan 1991).

Therefore the following (second) assumption, i.e. knowledge flows have to be treated differently in regards to the different MNC roles (Gupta & Govindarajan 1991; 2000) is neither fully applicable. However, the knowledge flows are different and should thus be treated differently whether it is knowledge sending or knowledge receiving (ibid.). Moreover, Alvesson (1995:24) also indicate that the Management Consultancy is a networking organization, focused on problem solving across different boundaries and “revolve around knowledge based in the cognitive skills of personnel” (Alvesson 1995:22). This relates back to the social relation mentioned above by Harzing & Noorderhaven (2009), that knowledge is shared in a dialogue between partners. The authors also state that the MNC have been theoreticized as a ‘social community’, wherein knowledge is not only shared but also created in collaboration with others (Harzing & Noordhaven 2009).

In light of the social learning theory and social interaction, the presence of communities in the MNC would then be linked to inter-unit relationships and inter-connection in other dimensions (ibid.). Here, one dimension to consider is the role of proximity in communication, which has been found to be imperative within firms (Criscuolo et al. 2010). The proximity is highly relevant in forming collaboration and partnerships within an organization, therefore the presence of distance leads to less communication and less interaction (ibid.). Distance (or the other side of the coin: proximity) also come into play in the theorization of country clustering’s and factors linking countries to each other (Peng 2011). The grouping of countries into clusters is based on similarities between the researched countries (ibid.). For instance, the proximity between the Nordic countries and Germany leads to some confusion regarding which group Germany belong to (Peng 2011) and therefore distance is a factor to pay attention to when looking at groupings.

When linking this to the above-mentioned characteristics of knowledge transfer as a social interaction process in communities, several questions arise. Will social interaction also be a significant factor for knowledge transfer within the knowledge intensive global management consultancy? Given the above-mentioned connection between social interaction in communities and the clustering of countries, does the intra-MNC knowledge transfer as an outcome of social interaction only take place within clusters? Alternatively, does it take place to a lesser degree
between clusters? Does country-clustering impact the intra-firm knowledge transfer at all and if it does affect the knowledge transfer in what way?

*These questions lead us to our research questions below:*

### 1.2.2. Research Questions

1. How does social interaction impact knowledge transfer within a management consultancy?

2. What is the effect of country groupings on social interaction and the knowledge transfer within the global management consultancy?

### 1.3. The Purpose

The purpose of the thesis is to further develop the understanding of how social interaction affects knowledge transfer within a MNC in the knowledge intensive sector. Thus bridging the above-mentioned call for further research on the role of social interaction and the call for a deeper understanding regarding knowledge in management consultancies. In addition, this paper will shed light over the impact of social communities grouped as country clusters on social interaction and knowledge transfer within an MNC. In this thesis, we will provide an extensive literature review in order to clarify the connection between knowledge transfer, social interaction, distance and country clusters. The aim is moreover to develop hypotheses from this literature review, to empirically test them on a management consultancy in the knowledge intensive sector and to be able to draw some conclusions on our research questions.

### 1.4. Thesis outline

The thesis will start with a large theory section in order to draw the link between the different theories and to provide a comprehensive foundation for the formulation of the hypothesis. The theory section will be summarized followed by the development of the hypothesis. We will then discuss the method and the data collection. In the section after the method, we will present the results of the empirical study. We will end this thesis by a discussion of the findings and propose some notes for further research.
2. Theory

The theory section will serve as a foundation for the development of the hypothesis. First, the focus will be on the characteristics of knowledge, and in particular, tacit knowledge and the challenges associated with it. Then, a brief overview of the growing body of literature on knowledge transfer and the mechanisms behind knowledge sharing is presented. This is followed by the identification of barriers and facilitators to knowledge from earlier research. Then a discussion regarding spatial distance and the role of proximity in knowledge transfer will follow. In the section afterwards a debrief of the present conceptualizations of the social aspect of knowledge transfer is laid out, followed by the suggestion to denote social interaction as the key element in the knowledge transfer process. This section will be followed by a short overview of the country cluster dimension before ending the theory chapter with a summary and the development of the hypothesis.

2.1. Knowledge

This section will start by a discussion regarding the characteristics of knowledge followed by the specific literature on transferring knowledge. The section will then continue by viewing knowledge in a service sector setting, which is one of the core topics in this theory section. Then in order to find other mechanisms for knowledge transfer we will turn to knowledge in the embedded multinational, followed by the overview of the mechanisms

2.1.1. Characteristics of Knowledge

Two classifications of knowledge have generally been recognized in the literature, namely tacit and explicit knowledge. Explicit knowledge is characterized by its codifiability, something that facilitates sending and translating it with little interaction between the sender and the receiver (Howells, 2002). Tacit knowledge is on the opposite end of the scale, primarily distinguished as skills and experience. The distinction between tacit and explicit knowledge resembles the distinction between “know-how” and “know what” (ibid). Gertler (2003) characterize tacit knowledge as knowledge that is difficult to communicate in a direct sense of way. Szulanski (1996) show that tacitness plays a major part in hindering internal replication (i.e. knowledge transfer) since it is more likely to create a confusion and uncertainty regarding the information (causal ambiguity), thus leading to higher difficultness i.e. “stickiness” of knowledge (ibid.). Some researchers have implied it to be a learning process to
transfer tacit knowledge, best done by observation, imitation, correction and repetition (Gertler, 2003). Here, socially organized forms of learning, such as workshops are suggested as the best means to transfer knowledge (ibid.).

For the account of this paper, the definition adopted is in line with Gertler (2003) and Gupta & Govindarajan (2000), defining tacit knowledge as knowledge being difficult to articulate and explicate, and which is acquired through practical experience and social interaction. Having identified the characteristics of tacit knowledge and thus pinpointed the challenges, they produce for organizations in communicating it across units, it is also important to understand what is known regarding knowledge transfer mechanisms. The mechanisms for transferring knowledge may be specifically employed to overcome the challenges with tacit knowledge transfer or of a general type. In the next section, such mechanisms are identified from a growing body of literature on knowledge transfer.

2.1.2. Knowledge transfer

A large amount of explanations and definitions regarding the constitution of knowledge transfer aka knowledge sharing exist in the literature today. The body of research on knowledge transfer is mainly divided into two streams illuminating different sorts and constitutions of facilitators or barriers, looking at either researching inter-firm knowledge sharing or intra-firm knowledge sharing, i.e. either sharing knowledge across the boundaries of the firm, or within the boundaries of the firm. Argote & Ingram (2000) for instance, describe knowledge transfer as "the process through which one unit (e.g., group, department, or division) is affected by the experience of another". Focusing on inter-firm knowledge transfer Lord & Ranft (2000: 574) simply define knowledge transfer as “the dissemination of knowledge from one division to another division within the same firm”. Tsai (2002) define knowledge sharing as “the extent to which knowledge among different parts of an organization can be harnessed, shared and integrated”. However, in an earlier article Tsai shed light over the importance of context in knowledge sharing, thus stressing knowledge transfer within the boundaries in a shared social context (Tsai 2001). This is something that is highlighted in the business network setting. Forsgren, Holm & Johansson (2005) emphasizes the horizontal interconnectedness of the network in order to share and spread knowledge within the network, since knowledge is considered to be socially embedded within the firms network.
This paper will follow the above-mentioned approach of Tsai (2001) and the theorization of Forsgren, Holm & Johansson (2005), thus viewing the firm as network in which knowledge is socially embedded, something that will be further discussed below.

2.1.3. Knowledge transfer in the Service sector

The transfer of knowledge from one subsidiary to other units enables the employees to utilize lessons learned in previous projects by the exchange of information and advice in informal communities (Brown & Duguid 1991, Lave & Wenger 1993). It is also a way to benefit from the firms’ best practices across the globe (Szulanski, 1996). The global Management Consultancy mainly faces two challenges; Firstly, the consultants have to evaluate the context in which the prospective client operates, which generally includes assessing the characteristics of the competitive environment, such as major competitors, market size and industry forecasting of the trends (Haas & Hansen 2005). Secondly, the consultants have to analyze the specific problem of the client and develop a line of attack to solve the problem, i.e. develop new and innovative solutions (Sutton & Hargadon, 1996; 1997 in Haas & Hansen 2005)). Both codified knowledge (documents, e-mails, papers), and personal knowledge (advice and insights from expert colleagues), can provide the consultant with valuable insights (ibid.). Szulanski & Winter (2001) argues that codified knowledge will enable teams to reuse information from previous projects, such as industry profitability analyses, judging a prospective joint venture or the application best practices (in Haas & Hansen 2005). In addition, the authors also point to the time saving aspect of having an electronic database, thus not needing to reinvent the wheel (ibid.).

Consultants also benefit from social meetings with colleagues from other units in the firm, thus being able to access personalized knowledge (Haas & Hansen 2005). Moreover, several researchers argue that brainstorming with experts is a way to create new and innovative solutions to the problems the client is facing (Haas & Hansen 2005). Nonetheless, in order to transfer the codified knowledge the consultants have to spend time to interpret, synthesize and convert the information (Haas & Hansen 2005). The authors also argue that in a similar manner, seeking advice and information from other employees and colleagues in the company also impedes high search costs. Furthermore, consultants may come across barriers to the transfer of personal knowledge due to the challenges in articulating tacit knowledge or perhaps due to a lack of familiarity or even trust (Haas & Hansen 2005). The authors also showed more experienced team was in no need to consult neither codified, formal knowledge nor the tacit personalized knowledge since they are experts (ibid.). Nonetheless, the empirical findings showed that several of the experienced teams largely consulted the basic codified
knowledge sources, which the authors speculate is related to formal incentives to make use of such information (Haas & Hansen 2005). In short, the above-mentioned challenges with tacit knowledge and knowledge transfer is present in Management consultancies and hence of managerial interest to shed light over.

2.1.4. Knowledge sharing in the embedded multinational

The concept of embeddedness shed light over the two major relationships of the MNC in its different business networks, namely the internal and the external embeddedness (Forsgren & Andersson 1996). The external embeddedness relates to the MNCs degree of embeddedness into the local environment, and the local business network in which it is operating. The internal embeddedness, in contrast, defines the internal relationship between the subsidiaries and the HQ within the MNC. For the embedded MNC, knowledge constitutes a foundation for learning, something, which is, divided into two distinct processes in the perspective of the embedded multinational: 1) the transfer of knowledge and 2) mutual problem solving. The two processes are based on Richardson (1972) and are divided into similar or complementary processes, depending on the capabilities necessary to perform them. Both similar and complementary processes can occur in the MNC simultaneously, since the MNC can be viewed as an “industry of its own” (Forsgren, Holm & Johansson 2005).

The distinction of Forsgren et al. (2005) makes between transfer of knowledge and problem solving is akin to the distinction made between tacit and explicit knowledge above, i.e. know-how (problem solving) and know what (transfer of best practice) (Forsgren, Holm & Johansson 2005). Complementary activities are dissimilar but correlative, where learning and innovation is achieved through interaction and mutual problem solving (ibid.). Similar activities can also relate to Cohen & Levinthal’s (1990) view of “learning to learn” where learning is seen as a cumulative process within the MNC. The transfer of knowledge is therefore facilitated by similar capabilities, such as a shared language and basic (mutual) skills in the technology (ibid.). Nohria & Eccles (1992) points out that no knowledge is entirely accumulated internally. Foss & Pedersen (2002) agrees to the former statement, that even though knowledge to a large part is internally produced, some knowledge is also gained through external inputs. For instance, network-based knowledge stemming from long lasting interactions with specific partners, is incorporated and at use in the activities in the firm (ibid.). Mudambi & Swift (2011) points out that one can argue that each node in the business networks is a plausible (great) source of knowledge, which could be used in other nodes. The authors therefore underline the importance of being internally embedded and thus being able to share locally accumulated knowledge within the organization (ibid.).
Within the conception of the embedded multinational a distinction is made one the one hand between the high degree of embeddedness in the external network, wherein the complementary relationship leads to knowledge creation (innovation) and on the other hand a high degree of internal (corporate) embeddedness, wherein the similar activities leads to a certain standardisation and a high degree of transferability. The likelihood of recognizing a piece of information or an activity is higher if the unit already have a similar one. The barriers to transferring similar capabilities of knowledge, such as best practices, are according to Forsgren, Holm & Johansson (2005) more linked to lack of motivation to transfer, whereas the barriers to transferring complementary activities are more closely related to distrust. Szulanski (1996) however, received results indicating that only a small degree of the barriers to transferring knowledge within the organization was attributed motivational reasons. The literature has stressed the importance of shared values as an integrator in the dispersed MNC (ibid.). The presence of shared values between HQ and subsidiaries is argued to improve the cooperation between the units and therefore has an overall positive impact on the atmosphere in the firm (ibid.). However, Forsgren, Holm & Johansson (2005) could not find any significance of shared values on knowledge transfer in the embedded multinational. Among the possible explanations, the authors mention the fact that shared practices are more important to the transfer process rather than shared values, something that was not measured (ibid.).

2.1.5. Mechanisms impacting knowledge sending and receiving

Based on communications theory Gupta & Govindarajan (2000) argues that one of the basic mechanisms to knowledge transfer is the existence and richness of transmission channels. The authors show that the quantity and reach of effective transmission channels is essential to the occurrence of knowledge flows in the MNC (Gupta & Govindarajan 2000). Ghoshal & Bartlett (1988) tested the notion empirically and showed that existence and richness of channels to transfer knowledge is a prerequisite to successful knowledge sharing. Moreover, the properties of the channels, such as openness and informality of the communication have been shown to have an impact on the intensity and reach of the knowledge transfer (Gupta & Govindarajan 2000; Bartlett & Ghoshal 1989). Gupta & Govindarajan (2000) choses to operationalize the knowledge transfer mechanisms as formal coordination and (vertical) socialization mechanisms, since communication theory states that transmission channels can be both formal and informal. The formal coordination mechanisms is built upon earlier research by Galbraith (1973) and Nadler and Tushman (1987) who tied the given subsidiary to the MNC network through elements such as task forces, permanent committees and liaison positions (ibid.). In a later study, Galbraith in cooperation with Edstöm
(Edström & Galbraith 1977) emphasized factors such as selection, training and rotation of managers as important socialization mechanisms. These factors are important to build a consistent set of norms and values across the MNC, thus building cognitive maps and interpersonal familiarity over the MNC (Gupta & Govindarajan 2000) The bottom line is that interpersonal familiarity fosters a more open communication, which is expected to contribute to an increasing amount of transmission channels (ibid.). Here, the integration mechanisms are measured through factors such as job transfers and participation in corporate training programs. The function of the expatriate as a knowledge mediator has been identified by several researchers as one of the most important factors for internal knowledge flows (Minbaeva et al 2003), but the success of the expatriate role has also been questioned in regards to external knowledge flows (Barner-Rasmussen et al. 2004).

In the network, the relative position of the subsidiary has been found to play an important role for knowledge flows (Tsai 2001). As mentioned above, in chapter (2.1.3), the higher corporate embeddedness, the higher the transmission of knowledge internally. Tsai (2001) also argues that different positions in the MNC network allows for different opportunities to access knowledge. In addition, Szulanski (1996) points to the movement of knowledge in the MNC being a “distinct experience and not a gradual process of dissemination”. The uneven distribution of knowledge in conjunction of the stickiness will therefore create knowledge pools within the organization. Therefore, the network position and the network connection become important for the given subsidiary. This is also confirmed by Inkpen and Tsang (2005) who identifies weak ties, the proximity to other members and boundary spanners to maintain relationships with different cliques as key factors to examine when to facilitate knowledge sharing.

In contrast, Szulanski (1996) stated that the true barriers of knowledge transfer is more closely related to obstacles such as the absorptive capacity, the causal ambiguity of the knowledge and the arduous relationship, i.e. the level of “intimacy” in the communication between the sender and the receiver, had greater impact on the transfer process (ibid.) However, when empirically tested the absorptive capacity only showed a weak (or no) significant impact on the knowledge flows in the MNC (Gupta & Govindarajan 2000). As mentioned above, Szulanski found a significantly positive impact of motivation on transferring knowledge. However, in an earlier study Szulanski (1995) showed that a high level of motivation (positive) to transfer created by excess motivation on the sending side (i.e. impatient enthusiasm) could hamper planning on the recipient side, which in turn leads to transfer difficulties (ibid.).
In viewing the motivational dimension from a negative side, i.e. lack of motivation, one aspect to account for is the Not-Invented-Here syndrome (NIH), which can lead to issues with “ego-defence mechanisms”, meaning that knowledge or information that points to others (superior) competence is blocked (Gupta & Govindarajan 2000:475). Szulanski also contends that lack of motivation may lead to “foot dragging, passivity, feigned acceptance, hidden sabotage, or outright rejection [...] of new knowledge” (Szulanski 1996:31). Gupta & Govindarajan (2000) also implies that power struggles in the organization hampers the motivational dimension of knowledge transfer, since subsidiaries with (perceived) valuable knowledge may be “hoarding” knowledge and use it as a currency to trade with (Gupta & Govindarajan 2000:475). Other factors that have been found important for the transfer of knowledge are the subsidiary size, the relative economic level of the subsidiary, the country of origin (that is the home-country bias of the MNC) and the mode of entry on the local market (ibid.).

Another aspect of knowledge transfer is the impact of socio-cultural dimensions and institutional distance between the home country of the MNC and the local (foreign country). Several factors such as business culture, language and institutions constitutes the ‘psychic distance’ between the units in the MNC (Johanson & Vahlne 1977 in Pedersen et. al, 2000) An increase in the psychic distance leads to an increase in the barrier to transfer knowledge. In addition, the correct information and knowledge in one country may also not be the appropriate in other countries (Pedersen et al. 2000). Moreover, several researchers have focused on the positive connection between geographical proximity and knowledge transfer (ibid.). The next section will thus further discuss the impact of distance on knowledge transfer.

2.2. Distance

2.2.1 Spatial Distance
The effect of spatial distance on communication and cooperation has been of considerable interest. Several researches have stressed the study made by Allen (1977), who showed an inverse relationship between the distance between in an R&D office and the level of communication (Criscuolo, Salter, Ter Wal 2010). In the study, it was discovered that the distance within R&D departments formed barriers to collaboration and partnership among the employees (ibid.). Allen’s findings constituted a curve (the Allen curve), relating the diminishing likelihood of communication at an increasing length of distance (Criscuolo, Salter, Ter Wal 2010). The rise of the information technology during the last two decades led some researchers to proclaim the “death of distance”, whereas others took it as a cue to explore further the implications and the effect of spatial distance on knowledge sharing in the MNC (Panahi et al 2012). Boschma (2005) has maintained the standpoint...
that geographical proximity is neither a necessary nor an adequate prerequisite for learning and innovation. However, in a later publication Boschma & Frenken (2010) states that geographical proximity is favourable since face-to-face interaction is a criterion for effective learning. Here, the authors argue that it is important to separate geographical proximity (or distance), defined as “...the physical distance between actors in absolute (e.g. miles) or relative terms (e.g. relative time)” and co-location, since co-location can be both of a temporary nature or a permanent nature. Bradner & Mark (2002) verified the negative effect of distance upon collaboration and cooperation, where the impact on groups not only led to a lesser amount of interaction frequency but also to an overall lower quality of the communication that took place. Within the field of organizational networks, a noticeable level of consensus is found, regarding the impact of the design and layout of the office space on the possible encounters between employees, something that in turn leads to a higher level of interaction frequency, communication and social interaction in the office space (Toker & Gray 2008, Wineman, Kabo & Davis 2009).

2.2.2 Distance and the network based MNC
One could argue that the implications for the MNC are additionally complex, since the spatial distance becomes more prominent with geographical dispersion. Daft & Lengel (1986) and Cyert & March (1992) emphasize how geographical distance primarily hampers the interaction frequency between focal units in the MNC (in Criscuolo, Salter & Ter Wal, 2010). Moreover, the authors also underline how different time zones and long transmission channels restrains and decreases the effectiveness of the knowledge transfer. Thus, the geographical distribution of the MNC deters knowledge transfer, seeing as the complexity (and cost) of communication increases with spatial distance (ibid.). In the Organizational proximity taxonomy by Boschma (2005) organizational proximity is defined as ‘...the extent to which relations are shared in an organization arrangement either within or between organizations’. Bradner & Mark (2002) further discusses how spatial distance has a negative impact on the relationship between focal units. In addition to the above-mentioned standpoint, Bradner & Mark (2002) also maintains that spatial proximity increases the plausibility for a focal unit to be viewed in a favourable light by other members (nearby members) and therefore provides the given unit superior position relative distant units. This paper will follow the notion of Bradner & Mark (2002), i.e. that geographical distance has a negative impact on the relationship between units and following Boschma (2005) the relations in an organization therefore stronger the closer the. However, an above made valid point is that the proximity in itself perhaps not is an adequate explanatory factor. The next section will look further into the relational aspect in the organizational setting.
2.3. The Social aspect

Interpersonal knowledge sharing, defined as knowledge exchange on an individual interpersonal level, is outlined as the bottom line of sharing knowledge across units in an MNC (Mäkelä & Brewster 2009). The authors are not alone in shedding light over the properties of a relational aspect upon resource exchange, a growing body of literature has looked into the concept of social capital, theoretized as relational resources that are embedded in networks of social relations and thus attainable to individual actors, in order to better understand knowledge sharing in cooperative unities (Nahapiet & Ghoshal 1998; Tsai 2000). Andersson (2011) discusses how social capital bridge distances between different unions or “couplings” within the MNC network, and argues that social capital enhances the intensity of communication. In conclusion, Gulati et al. (2000) argues that the webs of relationships, the networks are both inimitable resources by themselves and means to get access to inimitable capabilities and resources.

2.3.1. Social Capital

Andersson (2011) and Mäkelä & Brewster (2009) discuss three dimensions of social capital connected to knowledge sharing; relational, cognitive and structural. The structural social capital is conceptualized as the physical linkage between units, which refers to the actual communication with the counterpart, i.e., how they are connected, how extensive and dense their connection is (Mäkelä & Brewster 2009). The structural social capital could be described as how embedded the relation is between units. Factors that have been identified and discussed in sociology research that increases the probability of interaction are demographic and related aspects like values and norms (Mäkelä & Brewster 2009). The relational social capital on the other hand refers to the embedded behavioral patterns and obligations within a relationship, the relational bond created throughout the course of the interaction (Mäkelä & Brewster 2009). Relational social interaction is connected to the tendency to identify oneself with a group (ibid.). A notion that also is strongly linked to the creation of in-groups and out-groups, wherein one tend to see the members of one’s own group, the in-group members, in a more favorable light than out-group members (Mäkelä & Brewster 2009).

In connection to knowledge, knowledge sharing is argued to be higher within the group rather than outside the group (ibid.). The cognitive properties of social capital describes the similarities of the units, the shared perceptions and context, this includes shared values, codes of conduct, a system of meaning and so on (Mäkelä & Brewster 2009). Components such as a common experience and
common knowledge between partners are shown to increase the understanding and ability to relate to one another, something that creates a higher cognitive social capital. The higher the shared (similar) knowledge is, the higher the cognitive ground will be. Cognitive social capital has been found to positively affect the recipient's ability to both absorb and reuse the transferred knowledge. Furthermore, an enhanced understanding between the participants frame of reference was found to increase knowledge sharing between the partners (Mäkelä & Brewster 2009). Mäkelä & Brewster (2009) emphasizes that building and strengthening cognitive similarity can subdue the negative impact of distance in another cognitive function.

2.3.2. Social interaction

Bartlett and Ghoshal (1988) argue that there is a reasonable amount of evidence of the positive relationship between both creation and transfer of innovations by a focal unit and the degree of normative integration between the subsidiary and the parent company. The authors posit such integration to be the result of extensive social interaction between the subsidiary and the headquarter, thus leading to a high level of organizational socialization (ibid.). Empirically, several researchers have found support for the positive relationship between knowledge transfer and social interaction (Tsai 2000, 2001; Gupta & Govindarajan 2000, Harzing & Noorderhaven 2009). Harzing and Noorderhaven (2009) further take a social learning approach and argue that conversations and interactions between people leads to learning and thus knowledge creation. The authors contend that social learning theory explicitly differs from the general sender-receiver approach since “knowledge is not an object” and quote Dewey (in Plaskoff, 2003:163) who states that knowledge is not ‘passed physically from one to another’ (Harzing & Noorderhaven 2009:723). Therefore, in the light of social learning theory intra-MNC knowledge transfer would only be possible when employees in different units engage in actual interaction. Concerning the aforementioned challenges with tacit knowledge, the theorization of the social interaction element is thus reinforced (ibid.). For instance, Polanyi (1966), referred by some as the founder of the term tacit knowledge, established that tacit knowledge transfer can only take place through close interaction (in Panahi et al. 2012).

Panahi et al (2012) in contrast, is of the viewpoint that in today’s modern society face-to-face interaction is not the key admission to tacit knowledge transfer, since internet and social media has a positive impact on tacit knowledge sharing. The authors point to the work of several other researchers when constructing the above mentioned viewpoint and hypothesis, for instance Marwick
(2001), who argues that “online discussion forums and other real-time online interactions can facilitate effectively tacit knowledge sharing [...]”, and moreover Lai (2005) who also underline the possibility of transferring tacit knowledge by using means such as chat sessions and other internet discussions (Panahi et al 2012:1098). The rise of social media has indeed outlined the feasibility to improve tacit knowledge transfer through means such as visible live conversations, networking, relationship building and cooperation amongst individuals (Wahlroos (2010) in Panahi et al 2012). Nonetheless, the authors do mention that even though IT-elements is helpful in the conversion of tacit knowledge to explicit, it has some restriction, thus stating that IT is a good mediator for “at least the knowledge with low to medium degree of tacitness” (Panahi et al 2012:1097).

Nonetheless, Harzing & Noorderhaven (2009) is of the opinion that face-to-face communication remains top of the line in transferring tacit knowledge, and this is despite the new existing information technologies. The reasons for the superiority of face-to-face interaction is not losing neither the bandwidth, i.e. the ability to transmit visual and non-verbal cues nor the synchrony, i.e. the possibility to give (and receive) instant feedback (ibid.).

There are different ways to facilitate and stimulate direct face-to-face interaction amongst employees in different subsidiaries. Bartlett & Ghoshal (1988) highlights a considerable amount of travels and transferring managers between the subsidiary and the headquarter as a method to create what the authors name “normative integration”. In addition, the authors also mention task forces, teamwork and committees as means to create direct interaction (ibid.). In the same study, Bartlett and Ghoshal stated that the density of the inter-MNC communication enables knowledge transfer (Bartlett & Ghoshal 1988). Barner-Rasmussen and Björkman (2005) found that participation in corporate training programs led to a higher intensity of the communication within the MNC (Harzing & Noorderhaven 2009). Gupta & Govindarajan (2000) empirically verifies that participation in corporate training programs in conjunction with job transfers (both to other subsidiaries and to Headquarters) have a positive impact on knowledge flows, both sending and receiving. The authors call these mechanisms “corporate socialization mechanisms”, since it refers to mechanisms which “build interpersonal familiarity, personal affinity, and convergence in cognitive maps among personnel from different subsidiaries” (Gupta & Govindarajan 2000: 479) and further divide them into lateral (to and with peers) and vertical (to and with headquarters) socialization mechanisms. Harzing & Noorderhaven (2009) underlines that from a social learning perspective social interaction should be treated as an independent and necessary variable for the production of knowledge flows, both inflows (receiving) and outflows (sending), and not only as a moderating variable. The authors
argue that this has not been the case in previous research and test the impact of social interaction on knowledge flows in an MNC (ibid.). The result of Harzing & Noorderhaven (2009), confirms their baseline hypothesis i.e. that social interaction positively impacts knowledge transfer (ibid.). In addition, their study also shows that knowledge is socially constructed and therefore developed in collaboration with others, i.e. social interaction, and thus a form of a collective knowledge. The authors mean that this is the core of the communities-of-practice-view (ibid.). Harzing & Noorderhaven (2009) highlights that in social learning theory the interrelationship between partners impacts the willingness and motivation to make the effort, take the time and energy to share knowledge with others. Therefore an aspect to take into consideration is the presence and prosperity of communities, since learning is a considered a social activity involving two or more individuals (Dalkir, 2011). This is also connected to the usefulness of knowledge, seeing as knowledge must become disembedded for its local context, translated and then interpreted by the local receiver before it can become adapted (Harzing & Noorderhaven, 2009).

This section has highlighted knowledge as an outcome of social interactions between people, being transferred when the social capital aspects are high and the partners in the interaction therefore shares a common understanding. This section also showed that knowledge, in the view of social learning perspective, is both shared and created in communities. In the section above regarding the impact of distance (2.2) on interaction, the geographical distance was argued to be a transfer barrier. Based on these two theories the next section will discuss the concept of country clusters, which is the grouping of countries.

### 2.4. Country Clusters

The cluster concept groups countries with similar attributes (such as culture and language) into one cluster. The research in this field is dominated by three main sets of clusters. The first one being the Ronan and Shenkar clusters, named after the authors of the study (Peng 2011:70). Ronen and Shenkar (1985) shows that clusters are formed based on patterns of similarities on dimensions related to employees’ attitude towards work, i.e. work goals, needs, values and job attitudes. The clusters were also connected to similarities in language, religion and geography. Eight country clusters were recognized, with four countries remaining outside the clustering. In alphabetic order, these clusters include Anglo, Arabic, Far Eastern, Germanic, Latin American Latin European, Near Eastern and Nordic. The four independent countries were Brazil, India, Israel and Japan, which all have one of several variables of uniqueness (languages, religions and histories) (Ronen & Shenkar 1985).
The second cluster set is the GLOBE clusters, named after the Global Leadership and Organizational Effectiveness project by Prof. Robert House (Peng 2011:70-71). The study recognized 10 clusters, and five of these have identical or very similar labels as the clusters of Ronen and Shenkar (ibid.). The other five corresponds relatively well with the addition of central Europe and sub-Saharan Africa (Peng 2011:70-71). Noteworthy is that the GLOBE project covered 62 countries whereas Ronen and Shenkar covered 44 and that for instance, Brazil was placed with the Latin American countries in the GLOBE study but remained independent in the Ronen and Shenkar study (Peng 2011:70-71). Moreover, the geographical proximity, which has led to a higher cultural interaction between the Germanic and the Nordic countries, sometimes leads to a combination of the two clusters into a single “Northern European” one, even though findings point to the separation of the two (Ronen & Shenkar 1985). The third stream of research is made by Huntington and the civilization clusters (Peng 2011:70-71). The research divides countries into separate civilizations based on the broadest cultural identity (ibid.). The civilizations are in comparison to Ronen and Shenkar very general, for instance the western civilization covers all of the Anglo, Germanic, Latin and Nordic clusters (Peng 2011:70-71).

In recent country cluster research, the importance of language has emerged as a divisor. Harzing et. al, (2012) empirically tested and showed how multinational corporations can be divided into language clusters, similar to the clusters of Ronen & Shenkar. Harzing et. al. (2012) bridges the study of language use in MNC with the communication flows and finds that language has a significant impact. The authors argue that when communication channels are based on language skills rather than a formal position, parallel networks of information flows develop (ibid.). Therefore, the employees with skills in the language evolve into roles such as information-gatekeepers, with the ability to delay, distort and filter the communication flows as it suits them (ibid.). The employees with the formal position on the other hand will, according to the authors, feel undermined (Harzing et. al, 2012). The outcome is a unit relationship characterized by mistrust, uncertainty and friction, which may impact the quality and stability of it (ibid.).

In this paper, the conceptualization of the Ronen and Shenkar cluster will be of use, mainly since the similarities between the GLOBE studies are high and therefore reliable. Therefore, the expected clusters are Scandinavian, Germanic, Latin countries and the rest of the world, see appendix for a detailed grouping of the researched countries.
3. Highlights of the Theory

This section will further the findings in the above made literature review and focus on the connection between the different chapters in order to develop the hypothesis for this paper. Next, the different variables and the mechanisms will briefly be touched upon before turning to the method chapter.

3.1 Development of hypotheses

The point of departure is the intra-MNC knowledge flows and thus the factors influencing these flows, and in particular social interaction. Aforementioned findings regarding the mechanisms to sharing knowledge or transferring knowledge flows have not painted a consistent image regarding the impact of various mechanisms on MNC intra-knowledge sharing. Harzing & Noorderhaven (2009) argues that whether one takes the standpoint of viewing the MNC as the integrator for market-transactions or takes the viewpoint of the organization as a social community, the same mechanism is in focus, i.e. social interaction. In the knowledge transfer context, social interaction has been mentioned to be the facilitator of especially tacit knowledge, in the shape of minimum two-way face-to-face interaction. The role of social interaction has previously been moderating, but in the presence of the social learning theory, the approach taken in this paper follows the approach of Harzing & Noorderhaven (2009), i.e. social interaction will have an independent impact on the exchange of knowledge. The impact will be positive seeing as social interaction has been found to act as a facilitator to knowledge transfer. Hence, the first hypothesis:

H1: Social interaction between focal units in the Management Consultancy will have a positive impact on knowledge sending

Following the above made reasoning the impact of social capital is also expected to be positive on knowledge receiving, hence:

H2: Social interaction between focal units in the Management Consultancy will have a positive impact on knowledge receiving

In regards to the above-mentioned impact of geographical distance on (tacit) knowledge transfer, the literature have shown a (more or less) consistent standpoint, namely that the nature of the knowledge raises several challenges to a successful transfer the greater the distance. Moreover, the communities of practice require face-to-face communication and collaborative efforts to take place in order to transfer any knowledge. One aspect to consider is the above-mentioned translation-interpretation and adaptation process in the learning communities. With the presence of social capital (any component),
the process of understanding one and another is enhanced, since the three components in social capital act as facilitators to relationship building through bridging mutual understanding. The physical distance also enhances the possibility of viewing the home group in In-group behaviour vs. out-group behaviour. In relation to the theory regarding country, clustering it sheds light over a potential clustering of communities within an MNC. Social interaction may only take place in close proximity and social capital theory predicts that the strongest relationship exists wherein the strongest social capital is found, thus where similarities are the strongest i.e. within one’s own country cluster. Hence the third hypothesis:

**H3: The predicted positive impact of social interaction will be stronger within the individual country clusters when compared to the entire management consultancy.**

### 3.2. The variables

#### 3.2.1 Knowledge flows

Gupta & Govindarajan (2000) follow communication theory, conceptualize knowledge flows as mainly procedural knowledge, and collect seven factors applicable in the manufacturing sector. Harzing & Noorderhaven (2009) follow Gupta & Govindarajan (2000) with an adjustment, the authors choose to only use four of the seven original factors, namely: (1) marketing know-how; (2) distribution know-how; (3) product design; and (4) management systems and practices (*ibid.*). Knowledge flows are operationalized to measure the tacit knowledge, the know-how rather than the codified knowledge. The knowledge flows in the Management Consultancy, as mentioned above is largely related to solving complex problems to clients and analyzing the local market in order to provide the newest and most creative solution, thus is related to both the marketing know-how and the management systems and practices.

#### 3.2.2. Social interaction

As concluded by Gupta & Govindarajan (2000) corporate socialization programs are significant in terms of knowledge sharing. Harzing & Noorderhaven (2009) show similar findings in their study wherein social interaction has a significant effect on communication, which in turn, they argue, as well as Andersson (2011), leads to an increase in knowledge sharing within the MNC. Participation in socialization programs has a positive impact in fabricating interpersonal familiarity, relations thereby a convergence in cognitive similarities. Hence, the positive effect on aligning cognitive social capital factors, through
social interaction that is being attributed by socialization programs, which overall leads to increased knowledge sharing (Harzing & Noordhaven 2009). Mäkelä & Brewster (2009) confirm that inter unit interaction positively affects cognitive social capital which in turn has a positive linkage to knowledge sharing. Harzing & Noordhaven (2009) imply that non-codifiable knowledge is mainly transferred through social interaction partly due to the ability to give and receive feedback and read social cues.

3.2.3. Formal coordination
The management consultancy also uses codified knowledge and information to a certain extent. The consultants arguably send statistics, formal project suggestions and other similar documents between them and between teams (Haas & Hansen 2005). As discussed and shown by Harzing & Noorderhaven (2009) and (Gupta & Govindarajan 2000) formal mechanisms have a significant impact on knowledge sharing in the MNC. The variable will therefore be used in this paper in order to measure the formal knowledge sharing conducted within the firm.

3.2.4 Motivation
Motivation is mentioned by Gupta & Govindarajan (2000) though proved insignificant. Szulanski (1996) argued that lack of motivation would lead to a lower retention of knowledge inflows, which is on the receiving side of knowledge transfer. Szulanski (1996) indicated that factors such as motivation and how well the knowledge is received, discussed by Haas & Hansen (2005) as time to interpret, synthesize and convert the information, has a large impact on efforts to share knowledge within a MNC, and Szulanski (1996) found that motivation had only a small effect on knowledge transfer. Not-invented-here syndrome is an infamous obstacle for receiving knowledge, in terms of acceptance of foreign knowledge. Hence we expect that motivation will be have a positive effect on sending and receiving. Minbaeva et al (2003) discussed in Harzing & Noorderhaven (2009) distinguish between ability and motivation based parts in terms of as subsidiaries absorptive capacity, and find positive effects on both.

3.2.5 Absorptive capacity
Gupta & Govindarajan (2000) describe absorptive capacity as the final pinnacle in the knowledge transfer process where the extent of prior knowledge and inter-unit similarities effect the receiving units ability to recognize, assimilate and reuse the new knowledge that is transmitted. Forsgren
(2005) discuss the importance of shared practices in order to be able to send and receive knowledge, which arguably is connected to social cognitive similarities and absorptive capacity. The ability to recognize the value of new information/knowledge, assimilate it and later apply it (Gupta & Govindarajan 2000). Hence, we expect absorptive capacity to be positively correlated in terms of knowledge receiving. On the receiving side absorptive capacity is the foremost function when retrieve knowledge (Harzing & Noorderhaven 2009).
4. Methodology

4.1. Research design and Survey Method
The aim of the thesis is to allow for making a statistical generalization and to empirically confirm the assumptions and the research question; therefore, a survey method is chosen. The survey method or the survey approach relates to quantitative data analysis, where data collection is done through methods such as published statistics, telephone interviews and naturally mail questionnaires’ (Gable, 1994). One aspect taken into account is that the data collected will be able to be used in order to test the hypotheses developed above. The quantitative research method emphasizes testing and confirmation of predetermined assumptions/hypotheses and the measurement are extra controlled, striving to be objective and focused on results (Ghauri & Grønhaug, 2005). Another aspect that needs to be taken into account is the (mainly) two types of reasoning, the inductive and deductive reasoning. The chosen aspect is the deductive reasoning, since inductive reasoning and research is mainly based on empirical material and this research is based upon theoretical concepts. The process starts by a literature review in order to create a base for the surveys and thus the findings i.e. the data gathered. Next empirics are incorporated into existing knowledge and lastly a theory development is possible (ibid.).

4.2 Background Mercuri Urval
The mission of Mercuri Urval is to help their clients bridge the gap between current and future capabilities, thus finding solutions to improve future performance and sustainable advantage. In addition, Mercuri Urval attempts to build and preserve close relationships with their clients in order to enable learning and knowledge of the specific and unique challenges of each organization. This since it will enable Mercuri Urval to create and deliver custom-made solutions matching to the distinctive set of challenges each given client faces in the market. Mercuri Urval can theoretically collaborate with and serve any type of organization, regardless of managerial challenge. The four main business areas are grouped by products i.e. “Recruitment Solutions”, “Talent Management”, “Business Transformation”, and “Board & Executive http://www.mercuriurval.com/en/About-us/Our-solutions-“).

Taking a look at the organizational set-up and structure of Mercuri Urval, quickly becomes evident that Mercuri Urval is a medium sized organization comprised of many people with many different backgrounds, functions and titles, whereof the most dominant one needless to say is consultant e.g. junior consultant, associate consultant, senior consultant, international business consultant just to
mention a few of the variations existing within Mercuri Urval (Larsen, 2012). A handful of country managers, partners and VPs make up the top management of Mercuri Urval, and being dispersed mainly throughout the organizations Scandinavian offices on a daily basis, some of them have managerial responsibility of offices placed elsewhere in the world. Each Mercuri Urval country and office is organized and structured according the same model, where each country has a country manager (not the smaller Mercuri Urval offices, where the country manager often works from a Scandinavian office), one or more directors, consultants, a recruitment team, and some administrative staff. However, some Mercuri Urval countries have different setups and different constructions primarily due to their size (ibid.).

4.3. Data collection

The data is collected through two surveys, sent out to the same company within 6 months’ time. The first is a secondary data source, developed by Larsen (2012). The survey consists of a questionnaire sent to every employee in Mercuri Urval during the 4th quarter of 2012. The survey was part of a project to investigate the headquarter – subsidiary relationships and the internal flow of knowledge in Mercuri Urval. In order to collect quantitative data on attainment of subsidiary knowledge, a questionnaire that could be applied in all the involved countries was constructed in the program Survey Monkey. It was used to measure the perspective on knowledge transfer in all the different offices, in order to establish knowledge transfer and barriers to knowledge transfer (Appendix).

The questionnaire was sent out to every employee in Mercuri Urval across 27 countries, and was followed up with a reminder 2 weeks after the first survey was e-mailed. Out of the 750 that was emailed, about 300 surveys was returned, of which 257 was fully completed. That generates a response rate of about 36%. For multi-country studies, this response rate is well acceptable. Harzing (1977) states that the response rates for mail surveys generally varies between 6-16%. Since then Ghoshal & Nohria (1989) have reported response rates of 15% on some of the key studies in the field of knowledge transfer (Harzing & Noorderhaven 2009). The second survey was created with the aim to measure the social interaction and communication frequency across Mercuri Urval. The questionnaire was developed in collaboration with Mercuri Urval in order to answer both the thesis questions and internal questions regarding communication (see appendix 2). The survey was emailed to 750 employees across Mercuri Urval and was followed up with a reminder 1 week after the survey was sent out the first time. Out of the 210 questionnaires returned, 128 were fully completed. The short time frame and the fact that this was the second survey e-mailed to the employees in Mercuri
Urval within 5 months of time may have contributed to the slightly lower response rate, furthermore the first survey continuously received new answers during a 5 months period while the second, due to time limitation has responses from a 6 week period. In addition to this, there were some technical issues with the link send out and the first 52 questionnaires, of the second questionnaire, returned halfway answered. The resulting sample nonetheless provides an adequate rate of (18%) which is well within the frames stated above. The cut off point for missing values was derived from Harzing & Noorderhaven (2009) and thus set at 15%, of which 94% of the first survey reached and the second survey reached about 95%, something that indicates that both of the questionnaires was well understood. The two surveys was matched on the account of variables such as country of origin, age, gender, years at the company and role/title in the company, leading to a total use of 115 surveys (15%) which still is well within the generally accepted rates of variance.

4.4 Measures

The constructions of the subjective variables had an aim of all being undertaken by a multi-item construction. However when tested for the internal validity (Cronbach's alpha) some of the variables failed to reach the accepted level of 0.6, meaning that the questions did not measure the same construct (Tavakol & Dennick, 2011). We therefore decided to relax the aim, which will be further stated below.

The measure of the dependent variable knowledge transfer is taken from Gupta & Govindarajan (2000) and then logically reconstructed by the authors to fit a service company in the knowledge intensive consultancy business. This since the literature on knowledge flows is mainly based on companies in the manufacturing industry. The item best serving the purpose of measuring knowledge flows within a service company is “management systems and designs” (Gupta & Govindarajan 2000). Aforementioned characteristics of the consultancy industry (chapter 2.1.5) leads to the operationalization of “knowledge transfer” which is constructed as an average of the following variables: (1) Sharing Leads, (2) Sharing Cases, (3) Sharing Tools, (4) Sharing Testimonials, (5) Sharing Organizational News. All of these variables are the result of the first survey sent to Mercuri Urval. The respondent was asked to indicate on a Likert type scale from 1 to 5 (1= strongly disagree and 5 = strongly agree) the extent to which he/she agrees to be participant in knowledge transfer of each of the five items above. Knowledge transfer was measured as both receiving, that is the respondent rated the receiving of the above items and sending measured as sending the above listed knowledge items.
Turning to the independent variable, *social interaction*, the composition is built on the operationalization of Harzing & Noorderhaven (2009), whom based on Harzing (1999) measure the variable as an average of: “participation in international task forces” “international training programs” and “informal communication”. However, since the variable “informal communication” did not show any significance in the regression made by Harzing & Noorderhaven (2009) it will not be used in this paper. Moreover, the consultancy has a very limited number of international task forces; the measure would therefore not contribute to this thesis. Hence, the social interaction-variable will be measured by “participation in international training programs” indicated by the respondent on a similar Likert type scale of 1-5 as described above, with data originating from our second survey. This mechanism is chosen since it creates face-to-face interaction and communication between employees in different subsidiaries (Harzing & Noorderhaven 2009).

Among other factors impacting knowledge transfer, *formal coordination mechanisms* is based on the frequency of formal procedures, measured as statistical reporting, taken from the first survey sent to Mercuri Urval. The measurement follows the 5-point Likert scale used above. In addition to formal coordination, other explanatory variables included will be motivation, causal ambiguity and absorptive capacity.

The variable *Motivation*, constructed by data from the first survey, was first measured as an average of four questions. The respondent was asked to indicate on a 5 point Likert scale how much he/she agreed to each of the four statements; “Knowledge sharing is relevant in an organisational context... a) To my own personal success, b) To the success of the process/project/case that I am working on, c) To the success of Mercuri Urval”. However due to the low level of the Cronbach’s Alpha (below 0,6) we decided to remove the fourth question in constructing motivation “Knowledge sharing is being encouraged in Mercuri Urval” ending up with an alpha reliability of 0,63 in a three item scale. Generally one would aim for a Cronbach’s alpha of 0.7 or higher but due to the low item scale in the motivation construct, three, alpha could be distorted and result in a lower value (Tavakol & Dennick, 2011).

The Absorptive capacity variable, with data taken from the first survey, is measured in a similar manner. We constructed it as an average composed by the answers to the following questions: "Having extracted the above-mentioned knowledge and/or information it is easy to apply" and “When/if you receive knowledge from colleagues based in other MU countries, to what extent do
you find it useful? a) To my own personal success, b) To the success of the process/project/case that I am working on c) To the success of Mercuri Urval”. Alpha reliability of this four item scale was 0.71.

Lastly, the variable concerning **Causal ambiguity** was operationalized by the following questions: "When searching for knowledge and/or information on a given topic, the process of locating it is easy and straightforward", “Having located the above-mentioned knowledge and/or information it is easy to extract", "Having extracted the above-mentioned knowledge and/or information it is easy to apply" also this variable is based on data from the first study. I each of the statements above the respondents have been asked to indicate on a 5 point Likert scale how strongly they agree, ranging from 1-5 (1=Strongly disagree, 5=strongly agree). Alpha reliability measured 0.70 on this three item scale. Moreover, the control variables are subsidiary age and home country of the MNC. Finally, in order to test the hypotheses, dummy-variables for the following clusters were created: Scandinavian, Germanic, Latin-countries and Outside Europe, see appendix for the group membership.

**Table 1: The variables**

<table>
<thead>
<tr>
<th>Variable:</th>
<th>Measured as:</th>
<th>Sending:</th>
<th>Receiving:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge transfer</td>
<td>Mean of knowledge transfer</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Social interaction</td>
<td>Participation in international training programs</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Motivation</td>
<td>Mean of 4 questions related to motivation</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Subsidiary age</td>
<td>Average age of employees time at MU</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Formal coordination</td>
<td>Frequency of formal procedures, measured as statistical reporting</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Absorptive capacity</td>
<td>Mean of 4 questions related to absorptive capacity</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Causal Ambiguity</td>
<td>Search ability, applicability and extractability of knowledge</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Country of origin</td>
<td>Respondents are from the Swedish HQ</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>
4.5. Method

The method to test the hypotheses is linear (OLS) regression, similar to the method used in Harzing & Noorderhaven (2009). Before the general regressions, we set up a descriptive table (Table 1) and ran a correlation test (Table 2) to further see correlations and values of our variables, and the connections between our independent variables. As some of the independent variables are correlated (Table 2) we took precautionary measures and checked for Multicollinearity factors using tolerance and variance inflation factors (VIT) (Harzing & Noorderhaven 2009, O'Brien, 2007). Where the lowest tolerance in the equation being 0.635 and the highest VIT 1.575 (Germania dummy group). None of the variables diving below 1, hence indicating that collinearity issues are not of a large concern in our models (O'Brien, 2007). The dependent variable “knowledge transfer” was divided into “knowledge sending” and “knowledge receiving”, and run in two different regressions with the control and explanatory variables in order to test the potential differences between the items. In terms of testing the hypothesis number 3, dummy variables for the clusters were constructed in order to see any differences between the groups of country clusters. The Scandinavian cluster was used as a baseline, since it had the highest response rate from the questionnaire in relation to the “Germanic“, “Latin” and “others” clusters. The clusters were thereafter individually regressed, that is the “Scandinavian” Cluster, the “Germanian” cluster and the “Latin” Cluster. The “Others” cluster had too low of a response rate thus rendering it inappropriate to conduct statistical measures. Moreover, we also removed the control variables “subsidiary age” in each country cluster regression, since the value of “n” was small, the variable was tested before removed, but did not explain any of the variance in the general or individual regression.
5. Results

The structure of the result section will be as follows; first the descriptive statistic and correlations will be explained for both dependent and independent variables, which is followed by illustrating our regressions models, first the overall models later the regression for the individual clusters.

5.1. Descriptive statistics and correlations

Table 2: Descriptive statistic and correlations of the variable in the study

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>S.d.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
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</thead>
<tbody>
<tr>
<td>Knowledge sending</td>
<td>3.39</td>
<td>0.92</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge receiving</td>
<td>3.13</td>
<td>0.63</td>
<td></td>
<td>0.36**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Interaction</td>
<td>2.99</td>
<td>1.49</td>
<td>0.23*</td>
<td>0.09</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motivation</td>
<td>4.70</td>
<td>0.35</td>
<td>0.10</td>
<td>0.02</td>
<td>0.10</td>
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<tr>
<td>Subsidiary Age</td>
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<td>1.62</td>
<td>0.07</td>
<td>-0.07</td>
<td>0.07</td>
<td>-0.03</td>
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<tr>
<td>Formal coordination</td>
<td>2.88</td>
<td>1.33</td>
<td>0.53**</td>
<td>0.30**</td>
<td>0.08</td>
<td>-0.11</td>
<td>0.12</td>
<td>1</td>
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</tr>
<tr>
<td>Absorptive Capacity</td>
<td>3.58</td>
<td>0.67</td>
<td>0.27**</td>
<td>0.28**</td>
<td>0.25**</td>
<td>0.29*</td>
<td>0.04</td>
<td>0.12</td>
<td>1</td>
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<tr>
<td>Casual Ambiguity</td>
<td>3.00</td>
<td>0.81</td>
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<td>0.10</td>
<td>-0.4</td>
<td>0.10</td>
<td>0.04</td>
<td>0.09</td>
<td>0.29**</td>
<td>1</td>
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</tbody>
</table>

N=112(???), *p<0.05 (two-tailed) **P<0.01 (two-tailed)

Table 2 illustrates the correlations between the variables. The two dependent variables “knowledge sending” and “knowledge receiving” are positively correlated. The knowledge sending variable display a higher mean (3.39) than the knowledge receiving variable (3.13), hence indicating a -0.26 gap between sending knowledge and receiving it. Furthermore, the variable “knowledge sending” in particular correlate with our explanatory variables; “formal coordination” (0.53) and “absorptive capacity” (0.27). The correlation level of 0.53 is considered a stronger one whereas the 0.27 is considered weaker (Fowler et. al. 1998). The correlation of “knowledge sending” with our independent variable “social interaction” is somewhat lower at 0.23 indicating a weaker relationship between the variables. Looking at “knowledge receiving” the variable is moderately strong in relation to “formal coordination” (0.30) and “absorptive capacity” (0.28). Our independent variable “social interaction” is quite low in relation to “knowledge receiving at 0.09. The figure thus indicates a very weak relationship between the variables (Fowler et. al. 1998).
5.2. The Regressions

Table 3: Factors influencing knowledge transfer

<table>
<thead>
<tr>
<th>Dependent variables knowledge sending and receiving</th>
<th>Sending</th>
<th>Receiving</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficients</td>
<td>Sig.</td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
<td>--------------</td>
<td>------</td>
</tr>
<tr>
<td>Constant</td>
<td>-1.245</td>
<td>0.261</td>
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<tr>
<td>Social Interaction</td>
<td>0.115*</td>
<td>0.034*</td>
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<tr>
<td>Motivation</td>
<td>-0.358</td>
<td>0.125-</td>
</tr>
<tr>
<td>Subsidiary Age</td>
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</tr>
<tr>
<td>Formal coordination</td>
<td>0.356**</td>
<td>0.000**</td>
</tr>
<tr>
<td>Absorptive Capacity</td>
<td>0.227+</td>
<td>0.072+</td>
</tr>
<tr>
<td>Casual Ambiguity</td>
<td>0.079</td>
<td>0.410</td>
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<td>Country of origin</td>
<td>0.452*</td>
<td>0.050*</td>
</tr>
<tr>
<td>Germania cluster</td>
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<td>0.819</td>
</tr>
<tr>
<td>Latin cluster</td>
<td>-0.111</td>
<td>0.637</td>
</tr>
<tr>
<td>Others</td>
<td>0.068</td>
<td>0.827</td>
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<tr>
<td>R²</td>
<td>0.450</td>
<td></td>
</tr>
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</table>

*p<0.15; +p<0.10; *p<0.05; **p<0.01;
### Table 4: Regression of different clusters

<table>
<thead>
<tr>
<th></th>
<th>Sending</th>
<th>Receiving</th>
</tr>
</thead>
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<tr>
<td><strong>Scandinavian Cluster</strong></td>
<td><strong>Coefficients</strong></td>
<td><strong>Sig.</strong></td>
</tr>
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<td>Constant</td>
<td>-3,535</td>
<td>+0,087</td>
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<td>Social Interaction</td>
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<tr>
<td>Motivation</td>
<td>0,819</td>
<td>*0,039</td>
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<tr>
<td>Formal coordination</td>
<td>0,363</td>
<td><strong>0,001</strong></td>
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<tr>
<td>Absorptive Capacity</td>
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<td>0,310</td>
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<td>Casual Ambiguity</td>
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<td>0,942</td>
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<td>Country of origin</td>
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<td>R2</td>
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<tr>
<td><strong>Germania Cluster</strong></td>
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<td></td>
</tr>
<tr>
<td>Constant</td>
<td>-0,588</td>
<td>0,694</td>
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<td>Social Interaction</td>
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<td>0,916</td>
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<td>Motivation</td>
<td>0,185</td>
<td>0,606</td>
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<tr>
<td>Formal coordination</td>
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<td><strong>0,007</strong></td>
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<td>Absorptive Capacity</td>
<td>0,469</td>
<td>+0,055</td>
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<td>Casual Ambiguity</td>
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<td>0,223</td>
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<tr>
<td>R2</td>
<td>0,452</td>
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<tr>
<td><strong>Latin Cluster</strong></td>
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<td>Constant</td>
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<td>Social Interaction</td>
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<td>Motivation</td>
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<td>---------------------</td>
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<tr>
<td>Formal coordination</td>
<td>0.543</td>
<td><strong>0.004</strong></td>
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<td>Absorptive Capacity</td>
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<td>R2</td>
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<td></td>
</tr>
</tbody>
</table>

*p<0.15; p<0.10; *p<0.05; **p<0.01;

5.2.1. Hypothesis 1: Knowledge sending

In Table 3, we display our first two regression models testing knowledge sending and knowledge receiving separately against all independent variables. In the first regression on “knowledge transfer” in the first column of Table 3, we tested the dependent variable “knowledge sending” against all our independent variables. As expected from previous research (Harzing and Noorderhaven 2009) social interaction was found significant and positively related to knowledge sending (p<0.05*). The variable “formal coordination” had the highest significant in relation to knowledge sending, with a significance at the 99% confidence interval level. Further, the factor “country of origin” showed a strong positive effect on knowledge sending as well (p<0.05*). Moreover, “absorptive capacity” showed an implication towards a positive effect on knowledge sending (p<0,10). The variable “motivation” in regards to knowledge sending shows a small indication towards a negative effect on sending with the figure 0,125, which is significant in the 85% confidence interval. The control variable “subsidiary age” turned out to be insignificant in both regressions in Table 2 and in the regressions shown in Table 3. Subsidiary age is not significance at all thus not explaining the variance. The variable “causal ambiguity” did not show any significance in neither of the regressions in Table 2 nor in any of the regressions found in Table 3.

As in, line with Harzing & Noorderhaven (2009), the impact of social interaction on knowledge sending was positive at a 0,95 significance level with a coefficient at 0,115. This leads us to the confirmation of H1: “Social interaction between focal units in the Management Consultancy will have a positive impact on knowledge sending”.
5.2.2 Hypothesis 2: Knowledge receiving

In our second regression model we tested “knowledge receiving” as the dependent variable in a similar manner as in the first regression. In contrast to when sending knowledge, “social interaction” did not show a significant effect on “knowledge receiving”. The variable “absorptive capacity” was positively related (+p<0.10+) to the ability to receive knowledge. The variable “formal coordination” was positively significant on the 10% confidence interval (+p<0.10+). The dummy variable “country of origin” (+p<0.10+) was indicated to have a positive impact in receiving knowledge.

In the second regression social interaction was proven irrelevant in terms of knowledge receiving contradicting, hence the rejection of H2: “Social interaction between focal units in the Management Consultancy will have a positive impact on knowledge receiving”.

5.2.3. Hypothesis 3: Country clusters

In Table 4, we measure all the country clusters individually. In table 4, we observe that “formal coordination” shows a positive effect in all clusters on knowledge sending and receiving, except on knowledge receiving in the Latin cluster. The independent variable “Social interaction” demonstrate a significance of an 85% confidence interval (p<0.15) in Scandinavia on “knowledge sending”. However, on the receiving side the variable is not found significant. “Social interaction” is not significant in any of the other clusters, neither in sending nor in receiving knowledge. The variable “Absorptive capacity” is only found significant in the Germanic cluster in terms of both sending and receiving knowledge. The variable “motivation” is positively affecting knowledge sharing in the Scandinavian cluster, however not the Germanic and Latin cluster. “Causal ambiguity” is not showing any significant impact on knowledge transfer in any cluster, neither on sending nor receiving knowledge. In comparison to the correlations and significance of social interaction on knowledge transfer in the entire Management Consultancy the country clusters did not show any significance.

Hence the rejection of H3: “The predicted positive impact of social interaction will be stronger within the individual country clusters when compared to the entire management consultancy”.

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6. Discussion of the results

We expected social interaction to positively affect knowledge transfer within the Management Consultancy in both sending and receiving knowledge, hence our baseline hypothesis H1 and H2. However, as indicated in our results section, social interaction did not show any significance in knowledge receiving whilst being significant in relation to knowledge sending. Harzing & Noorderhaven (2009) reported a significant value on both sending and receiving knowledge, however the authors ran separate regressions on whether knowledge transfer took place to the HQ or to other subsidiaries. The results of Harzing & Noorderhaven (2009) displays a less significant figure (p<0.01) in only looking at the impact of social interaction on knowledge transfer (sending and receiving) to HQ. In addition, the significance on sending knowledge was slightly stronger than the receiving knowledge in both the case of HQ knowledge transfer and the subsidiary knowledge transfer (ibid.). In addition, Gupta & Govindarajan (2000) reported a significance of their socialization mechanism (i.e. similar to our social interaction variable) in knowledge sending to peer subsidiaries and knowledge receiving from peer subsidiaries on the p<0.05 level. However, the authors found no support on the socialization mechanisms for sending knowledge to the HQ (ibid.). In the light of the above, our findings could therefore to some extent be explained by the fact that we tested knowledge sending and knowledge receiving between HQ and subsidiaries jointly.

Moreover, in the management consultancy, the search cost of interpreting, synthesizing and converting the personalized information may lead to a discarding of such knowledge (Haas and Hansen 2005). The authors highlight that the experts does not need such knowledge and also mention that consultants often have to adapt the solution to the specific local situation (ibid.). Therefore, one logical explanation to the insignificance of social interaction on receiving knowledge would thus be that knowledge that is being sent might not be relevant in the receiving context where it is not applicable on current projects, problems or market and thus too time consuming to engage in. Our result might therefore imply that learning process could arguably be more tenacious than the sending process, leading to a higher degree of sending and a lower degree of receiving knowledge within an management consultancy.

Moreover, since our findings show a significant impact of social interaction on knowledge sending but not on knowledge receiving this might be related to our other researched variables. One explanation could be a lack of retention of tacit knowledge from the receivers’ side. Social interaction is theorized to be the foremost methods to carry out knowledge transfer and retention of
tacit knowledge (Harzing & Noorderhaven 2009). In Table 1 the correlations of our variables are displayed and we found a significant correlation (p<0.01) between social interaction and absorptive capacity, thus showing a relationship between the variables. The social interaction variable is constructed under the assumption that knowledge is socially constructed and therefore developed in collaboration with others (Harzing & Noorderhaven 2009). In order to retain and absorb knowledge, the receiver and sender needs to have some level of common ground, as discussed Mäkelä & Brewster (2012) and Andersson (2011). There could therefore be a lack of cognitive similarities in the organization, as mentioned by Mäkelä & Brewster (2012) and Andersson (2011). Knowledge must also become disembedded from the local context, then translated and further interpreted by the local receiver before it can become adapted (Harzing & Noorderhaven 2009). Thus, in terms of the high correlation between absorptive capacity and social interaction, the insignificance of social interaction on knowledge receiving could also be due to the lack of cognitive understanding, which leads to the recipient’s inability to understand and properly receive the knowledge.

As indicated in the Tables above our findings highlight a gap between sending and receiving knowledge. Seeing as cognitive similarities leads to successfully sending and receiving knowledge, our results indicate that lack of cognitive similarities between units leading to a higher degree of sending and lower degree of receiving knowledge in our case. Furthermore, Not-Invented-Here syndrome, wherein employees are committed to sending knowledge, but are to a lower degree committed to receive knowledge could be an explanation (Szulanski, 1996). In the NIH-syndrome, knowledge from other units is rejected on various grounds since it did not originate within the unit (ibid.).

In our regressions for H1 and H2, the average value of motivation is a bit below 5, in a scale of 1-5. Szulanski (1996) however indicated that motivation only had a small (if any) impact on the knowledge transfer. Nonetheless, our findings indicate a negative correlation between receiving knowledge and motivation. This could be an indicator of the argument that individuals with high motivation could suffer from “impatient enthusiasm”, which according to Szulanski (1995), lead to transfer difficulties. In the case of “impatient enthusiasm”, high motivation will lead to lower retention of knowledge since it might distort the disposition of the receiver (ibid.). Gupta & Govindarajan (2000) argues that the motivation to receive knowledge could be seen as more important than the motivation to send knowledge. In terms of motivation and sending knowledge, the results show no significant relation.
Of the explanatory variables absorptive capacity, formal coordination and the dummy variable for country of origin had a significant relation with both sending and receiving knowledge. Formal coordination, as seen in Table 3, had the strongest significant impact on both sending and receiving knowledge. This is in line with previous research on formal coordination mechanisms (Harzing & Noorderhaven 2009). The authors also maintain that the more formal communication is largely based on codified and explicit knowledge, which therefore is less tied to experience and know how (ibid.). The above made reasoning (section 2.3.) that social interaction is a prerequisite for transferring tacit knowledge, since it needs the ability to of the partners to relate to one and another is tied to learning in an organization. However, when viewing the management consultancy industry Haas & Hansen (2005) showed that the consultant might benefit from both codified and tacit knowledge. The authors shed light over the empirical findings in the study, which indicated that management consultants may focus on the codified (formal) knowledge due to both high cost of transferring tacit knowledge and due to the nature of the solutions which often location/situational specific rendering its use limited (ibid.). Hence, the particular characteristics of the management consultant industry may be one explanation factor to the strong result of formal coordination on both knowledge transfer and receiving.

In regards to H3, our findings did not confirm the hypothesis. We expected that the relation between social interaction and knowledge transfer would be higher within the country clusters. However, the only relatively significant value of social interaction was found in the Scandinavian Cluster (p<0.15). The finding may be due to the connection to Sweden and the country of origin effect. The country of origin (dummy) variable display a positive effect on both sending and receiving knowledge in our regression models. These findings therefore partly contradict Gupta & Govindarajan (2000) who did not find any significance in country of origin in relation to knowledge sharing. The above stated dimensions therefore make it hard to draw any conclusions regarding the Scandinavian cluster. The Germanic clusters is not showing any significant relation in sending knowledge, but on the other hand in receiving knowledge the Germanic cluster illustrates a positive significance at a 0.9+ level. Thus indicating that the Germanic countries are receiving more knowledge than sending.

In general, there is a strong correlation between sharing and sending knowledge, in short, employees that largely actively transfer knowledge will be the ones that collect the most, suggesting a give and take relationship between the two. This finding gives further meaning to the complexity of knowledge transfer within MNC in a knowledge intensive industry.
7. Concluding remarks

7.1. Short bullet conclusions

- There is a clear difference between sending and receiving knowledge in terms social interactions, where it is proven significant in sending but not receiving.
- Country of origin shows a significant role in sending knowledge throughout the firm at the same time illustrates that it has a lower retention of knowledge.
- Formal coordination is the foremost variable in terms of intra firm knowledge flows, both receiving and sending.

7.2. The authors’ notes

In accordance with our finding, the following reasoning is arguably suggested. In order to send knowledge from one individual to another, one must commit in a social interaction process. This, either to actively convey knowledge or to possibly create a relation, because in order to send knowledge a recipient of the knowledge is required. In order to receive the individual must be open and capable of understanding the knowledge that is being transferred. Hence, the cognitive aspect of social capital in terms of a shared point of reference, cognitive similarities, would arguably enhance the understanding and ability to reuse the knowledge that is being transferred. This fundamental common state that an individual must have in accordance with our result, to receive knowledge, transcends diverse distances and groupings Scandinavian, Germanic, Latin and others. Understanding the differences between knowledge sharing on a subsidiary level and an individual level will help set up truly knowledge sharing organization. Being able to create circumstances that are optimal on an individual and subsidiary level. Not only making social interaction possible but also align individuals’ common capabilities.
8. Contribution

8.1. Theory Contribution
This paper contributes to help explain the complexities of transferring knowledge in a knowledge intensive industry, in this case a management consultancy firm.

- Our study indicates that social interaction does not affect knowledge receiving in a Management Consultancy thereby contributing to the empirical studies in this field.
- Instead, formal coordination was found to be the most relevant variable for transferring knowledge within management consultancy firms.
- Furthermore, the study is giving voice of the continuing importance of the HQ/country of origin in terms of knowledge transfer within a MNC in the management consultancy firm.
- Our study indicates that there are some differences between manufacturing industries that has been researched by Harzing and Noorderhaven (2009) and Gupta & Govindarajan (2000) and knowledge intensive industries in terms of knowledge transfer.
- The hypothesis regarding country clusters could not be confirmed, however we do not rule out further research within this field.

8.2. Practice Contribution
Our finding support the fact that social interaction is still a prominent factor in terms of transferring tacit knowledge within multinational corporations, however in our study formal coordination seems to be the most important tool for sending and receiving knowledge. For the global Management consultancy with the need to adapt to a local setting, the need for tacit personalized knowledge might be lesser since the cost of transferring it is high. Nonetheless, this topic needs to be further investigated in order to fully understand the mechanisms in transferring knowledge in the service sector.

9. Limitations
Having an unevenly distributed sample size from the different clusters that we set out to investigate could affect the validity of our findings in terms of differences in knowledge sharing and different clusters.

- In this study, we measure social interaction as corporate training programs, whilst in other studies expatriation and cross-country team has been used as well, this was not possible in our study due to the lack of the later, implicating and limiting our results.
● This study was conducted in one single company, which makes the sample vulnerable for company specific issues, arguably this have affected our measures in terms of social interaction, see above; hence, there is a possibility that the research results will be skewed towards MU and not all MNC and management consultancy firms.

● Since the operationalization on the knowledge transfer variables (sending and receiving) was made through logical reasoning, our study might not have captured the essence of the mechanisms. This is also applicable to the other variables, since our internal validity on the various questions was moderately good.

● The low response rate from the “Latin” and “Other” cluster distorts the validity of our findings. The sample size of the “Other” cluster dives below 10, in measuring by terms of statistics is not valid and it was therefore not possible to measure the “Other” cluster individually.

● In order to improve the reliability/validity of our findings of the differences between clusters, in terms of knowledge sending and knowledge receiving, a more extensive and thorough questionnaire in order to investigate how knowledge flows.

● Further it would be interesting to know where these training program had taken place, in terms of in the own country, in one’s cluster, or in an inter global setting

● All our data is employees individual perceptions and not fact, this can result in biased, feeling that they need to answer that they do think that the knowledge being transferred is good and so on, and other problems such as cultural interference.

One possible explanation of the differences between our research findings and Harzing and Noorderhaven (2009) is arguably the macro/micro level of the respondents. Our study is conducted on a micro individual level in one organization while Harzing and Noorderhaven (2009) were conducted on a macro subsidiary level, one respondent per subsidiary. In so doing our study examines the individual take on knowledge sending/receiving and instead of further confirming the importance of social interaction our study illustrates further complications and stronger variables then social interactions at works and the differences in knowledge sending/receiving within the organization and the individual take on knowledge transfer within MNC. Future studies regarding the impact of social interaction should therefore take precautions regarding the micro perspective.
10. References


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Larsen Hedengran, K., 2012, “Knowledge management within international organizations -A case study of consulting firm Mercuri Urval”.


Internet link:
Appendix

Division of Country clusters

<table>
<thead>
<tr>
<th>Scandinavian Cluster</th>
<th>Germanic Cluster</th>
<th>Latin Cluster</th>
<th>Other</th>
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<td>Sweden</td>
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</tbody>
</table>

SURVEY 1: KRISTIAN LARSEN 2012

Page 1

Dear Mercuri Urval employee,
My name is Kristian Hedengran Larsen and I work as a Recruitment Assistant with Mercuri Urval in Copenhagen, Denmark.
I am currently writing my thesis "Knowledge management within multidivisional organisations – a case study of consulting firm Mercuri Urval". As the title suggest, the objective of my thesis is to establish the current state of knowledge management and knowledge sharing within Mercuri Urval, from a global perspective. The following survey has been prepared in cooperation with “Global Client Services" and while enabling you to influence the organisation of Mercuri Urval, your completion of the survey will also provide me with valuable insight, enabling the completion of my thesis. Your participation will be anonymous and is highly appreciated. Thanks in advance!

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Before commencing the survey it is imperative that we have a mutual understanding and perception of the terms that will occur regularly in the survey, which the following definitions will facilitate.

KNOWLEDGE
"Facts, information, and skills acquired through experience or education"

KNOWLEDGE SHARING
"An activity through which knowledge (information, skills, or expertise) is exchanged among people, friends, or members of a family, a community or an organization"

MU COUNTRY
"A country in which Mercuri Urval has an office"

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This section will gather information about your background and profile, while ensuring your anonymity.
1. What is your gender?
2. What is your age?
3. In what Mercuri Urval country are you working?
4. What is your function/role/title in Mercuri Urval?
5. How many years have you been working at Mercuri Urval?

6. “Knowledge sharing is relevant in an organisational context”
7. “Knowledge sharing is being encouraged in Mercuri Urval”
8. To what extent are the following tools for knowledge sharing available to you in Mercuri Urval?

Strongly agree Agree Disagree Strongly disagree
To my own personal success
To the success of the process/project/case that I am working on
To the success of Mercuri Urval
Other
Available Not available Don’t know
File server / storage / library
Intranet (portal)
Online team sites
Social media groups (LinkedIn, Twitter, Facebook etc.)
Videoconferencing
Online communities / discussion forums / blogs / wikis
Wordpress, Drupal, SharePoint, Yammer, Status.net, elgg or similar
Other
9. Do you feel that you receive/have received sufficient training and information about the various tools for knowledge sharing available in Mercuri Urval and how to use these?

10. When would you prefer to receive/have received such information and training on the tools for knowledge sharing available in Mercuri Urval?

11. “I am overall satisfied with Mercuri Urval’s management of knowledge sharing and the availability of knowledge sharing tools in the organisation”

12. Any final comments on knowledge sharing within Mercuri Urval that you wish to share?

Other / Comments

This section will gather information on your “knowledge giving/sending behaviour”

13. How often do you give/send knowledge to colleagues based in other MU countries and what is your motivation for doing so?

14. When/if you give/send knowledge to colleagues based in other MU countries, what type of knowledge do you give/send?
15. "I often or occasionally give/send knowledge to colleagues based in other MU countries because..." (if you rarely or never give/send knowledge to colleagues based in other MU countries please skip this question)

Strongly agree Agree Disagree Strongly disagree

I find it personally satisfying

I believe that my colleagues can benefit from the knowledge I possess

I believe that Mercuri Urval can benefit from the knowledge I possess

I believe the given process/project/case that I am working on can benefit from the knowledge I possess

I believe that sharing knowledge is an important part of my job

I want my superior to think that I am a good and competent employee

I want my colleagues to think that I am a good and competent colleague

It is a requirement from my superior
16. “I rarely or never give/send knowledge to colleagues based in other MU countries because…” (if you often or occasionally give/send knowledge to colleagues based in other MU countries please skip this question)

Strongly agree Agree Disagree Strongly disagree
I do not believe that I will gain anything from it
I prefer to keep knowledge to myself
I regard knowledge as leverage and/or power and I do not wish to give that away
I do not believe that the knowledge I possess is of any relevance to my colleagues
I do not believe that the effort is worth the potential outcome and gain(s)
I am not receiving any reward for sharing knowledge
I am not being encouraged to share knowledge

There are no initiatives/processes/tools implemented in Mercuri Urval that facilitates knowledge sharing

Other

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This section will gather information on your “knowledge receiving/acquiring/applying behaviour”

17. How often do you receive knowledge from colleagues based in other MU countries?

18. When/if you receive knowledge to colleagues based in other MU countries, what type of knowledge do you receive?

19. How often do you apply knowledge that you have received from colleagues based in other MU countries?

Strongly agree Agree Disagree Strongly disagree

Leads
Clients
Candidates
Prospects
Cases
Tools / Methods
Testimonials
Statistics
Internal organisational news

I don’t share knowledge with colleagues based in other MU countries
20. When/if you receive knowledge from colleagues based in other MU countries, to what extent do you find it useful?

21. “When searching for knowledge and/or information on a given topic, the process of locating it is easy and straightforward”

22. “Having located the abovementioned knowledge and/or information it is easy to extract”

23. “Having extracted the abovementioned knowledge and/or information it is easy to apply”

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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</table>

Other

Other / Comments

Strongly agree

Agree

Disagree

Strongly disagree

Other / Comments

Strongly agree

Agree

Disagree

Strongly disagree

Other / Comments

Strongly agree

Agree

Disagree

Strongly disagree
24. Where do you receive/acquire the most valuable knowledge from?
25. How often do you go on the portal?

Thank you very much for taking time to complete the survey!

26. Any final comments that you wish to share?
5. How many years have you been working at Mercuri Urval?

6. Please state the top 5 MU countries you have communicated with during 2012. Please rank them from 15. 1 represents the highest communication frequency and 5 the lowest.

7. Please rank the top 5 reasons to why you have communicated with these specific countries. Follow the ranking above.
1 represents the country you have communicated most frequently with and 5 the least.
8. MU offices located in countries far away are more difficult to communicate with.
9. How many times have you visited another country to participate in a project during 2012?

10. How many times have you been visited by employees from other countries during 2012?

11. Why did you visit the specific countries mentioned in Question number 9? Please rank the statements below. 1 is the most relevant reason and 7 the least. If you do not find any of the statements relevant, please select N/A.
12. Have you been a participant in a corporate training program (workshop/leadership excellence/other development course) at MU Group?

13. Have you been transferred to another country office?

- Yes
  - The country is located close to our office
  - It is easy/simple to travel to the given MU country office
  - I was assigned to work with the given MU country office on a specific project
  - I initiated a project in collaboration with the given MU country office
  - I was relocating and decided to visit the given MU country office
  - I was relocated to the given MU country office
- No
  - Only during my first 6 months as an employee
  - One time/a handful of times after my first 6 months
  - Over 5 times
  - No, but I have attended training courses in other country offices
  - Never
  - Other (please specify)

14. In your opinion, from where do you receive the best knowledge?

Please rank your answer from 1 to 10, where 1 represents the best knowledge sender and 10 the least good.

15. Please rank how you perceive the information flow between:

- From employees in my own office
- From employees in my own country
- From the International Business Manager
- From the Sales and Bid Office
- From the GCS
- From the MU Group
- From MU offices in other countries
- From competitors
- From clients or candidates
- From others

Consultants and local peers
International peers
Central Functions (GCS, ISBO)
MU Offices in the same region
Within my office

Other (please specify)

Thank you very much for taking time to complete the survey!
16. Any final comments that you wish to share?