

Implications for multinational enterprises from emerging market subsidiaries' reverse knowledge transfer

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Abstract

Purpose – This study aims to understand the role of drivers, underlying challenges and, consequently, the implications of the reverse knowledge transfer (RKT) process for the multinational enterprises (MNE)s.

Design/methodology/approach – A dyadic qualitative research design was used with a cross-country design covering perspectives from both the headquarters and subsidiaries from the USA, Denmark, Pakistan, India and Bangladesh. In-depth interviews were conducted with managers in multiple sectors such as information technology, telecommunications, project management and engineering.

Findings – The study reveals the constraints and drivers of the RKT process, and furthermore elaborates on the implications for MNEs. RKT can lead to the development of new processes, subsidiary independence and intra-organizational knowledge transfer. Besides, it can entail challenges such as position insecurity for subsidiaries and a blurring of the MNE market vision. The findings demonstrate several implications for the MNEs.

Practical implications – The study highlights the direct implications of RKT for the multinational enterprises. The findings serve as a practical guide for global managers seeking to improve their competitive edge.

Originality/value – The study presents a framework of the RKT process from emerging market subsidiaries to parent companies, that demonstrates the role of drivers, underlying challenges and implications of the RKT process for the MNEs.

Keywords Multinational enterprises, Drivers, Constraints, Opportunities, Challenges

Paper type Research paper

Introduction

Internationalization provides multinational enterprises (MNEs) opportunities to expand their networks into the global market and access numerous knowledge resources (Michailova & Mustafa, 2012). These opportunities are accompanied by challenges in the form of cultural distance, institutional voids and comparatively volatile markets (Wild & Wild, 2016), where political and social turbulence and market immaturity can significantly impact knowledge transfer (KT) mechanisms (Leposky, Arslan, & Kontkanen, 2017). To overcome these challenges and compete in the global market, MNEs need to develop unique resources. Fjellström, Lui, and Caceres (2017), Castro and Moreira (2023), Wijaya and Suasih (2020), and Kogut and de Mello (2017) suggest that due to its tacit nature and unique characteristics of inimitability, knowledge can represent a source of innovation and thereby lead to competitive advantage.

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According to [Kogut and de Mello \(2017\)](#), [Wijaya and Suasih \(2020\)](#) and [Oliinyk, Bilan, and Mishchuk \(2021\)](#), the main competence of firms rests upon how they create and transfer knowledge in the organizational context. Furthermore, [Kogut and de Mello \(2017\)](#) argue that MNEs develop in international business thanks to the knowledge they acquire from the countries where they operate. The term coined by [Kogut and de Mello \(2017\)](#) for knowledge flow that originates in the subsidiaries and is directed towards an MNE's headquarters or parent company (PC) is reverse knowledge transfer (RKT). Several scholars, including [Ang and Shanna \(2019\)](#), [Jimenez-Jimenez, Martinez-Costa, and Sanz-Valle \(2020\)](#), [Driffield, Love, and Yang \(2016\)](#), [Nair, Demirbag, and Mellahi \(2016\)](#), [Vlajcic, Marzi, Caputo, and Dabic \(2019\)](#), and [Kandora \(2018\)](#), note the significance of RKT and its influence on business development in the international market. The previous studies focused primarily on the broad context of host countries. Because knowledge and KT mechanisms can vary between markets ([Meyer & Thaijongrak, 2013](#)), we must consider the different market dynamics of developed and emerging economies. To this end, we narrowed the perspective to KT from emerging market (EM) subsidiaries to PCs in several developed economies.

Emerging markets offer an abundance of opportunities to MNEs since success in these markets can lead to the overall success of these firms in their home countries as well ([Kogut & de Mello, 2017](#)). Moreover, EMs enable MNEs to expand their knowledge base to develop and sustain competitiveness in the international market with consistent innovation ([Leposky *et al.*, 2017](#); [Castro & Moreira, 2023](#)). To take advantage of the new knowledge and prospects available in EMs, MNEs must comprehend RKT and successfully transform it into a competitive advantage by connecting it to innovation ([Kandora, 2018](#)).

Previous studies concentrate on the RKT aspects such as a subsidiary, the PC, transmission factors, or the contribution of the RKT process but leave a major gap in understanding the process as a whole ([Kogut & de Mello, 2017](#)). [Froese, Stoermer, Reiche, and Klar \(2021\)](#) studied the role of repatriates in RKT, and they emphasize the communication between the repatriate and the subsidiary, as one of the findings. From a knowledge properties and subsidiary aspect, [Leposky *et al.* \(2017\)](#) propose several key factors that influence RKT from EM subsidiaries to the PC. However, these propositions are limited to the existing literature and offer no empirical evidence. [Najafi-Tavani, Zaefarian, Naude, and Giroud \(2015\)](#) also consider the knowledge source unit's perspective, examining the impact of RKT on subsidiaries only. As for its contributions regarding performance, both [Driffield *et al.* \(2016\)](#) and [Jimenez-Jimenez *et al.* \(2020\)](#) find RKT to have positive effects on MNEs' innovation and productivity. Nevertheless, to develop a more holistic understanding of the RKT process, it remains necessary to incorporate the views of both MNEs and their subsidiaries on the KT process. Studies by [Park and Vertinsky \(2017\)](#), [Peltokorpi and Yamoah \(2017\)](#), [Raziq, Rodrigues, Borini, Malik, and Saeed \(2020\)](#) and [Ferraris, Santoro, and Scuotto \(2020\)](#) all addressed the transmission factors that play a fundamental role in RKT. Factors such as a shared vision ([Park & Vertinsky, 2017](#)), close collaboration ([Peltokorpi & Yamoah, 2017](#); [Raziq *et al.*, 2020](#)), and deep embeddedness between the knowledge source and recipient unit ([Ferraris, Santoro, and Scuotto, 2020](#)) were discussed in depth through quantitative analysis. In this sense, previous studies quantified the factors that drive, challenge and provide opportunities for MNEs implementing RKT. However, given the complex nature of RKT, a more comprehensive understanding of RKT is needed.

Several studies attempted to provide a clear understanding of the RKT process. Among them is a study by [Ang and Shanna \(2019\)](#) who present an RKT model based on network evolutionary game theory. The model has yet to be confirmed with empirical data and it is difficult to understand for practitioners because its complex nature requires an academic background in the field. A study by [Ferencikova and Hrdlickova \(2020\)](#) demonstrates multiple cases of RKT in the context of EM subsidiaries and MNEs, where knowledge from Slovakian subsidiaries is found to make a significant contribution to their overseas MNEs.

Nonetheless, the study lacks a theoretical framework to guide scholars and practitioners through the process of effective RKT. In this study, we aimed to understand the role of drivers, underlying challenges and the implications of the RKT process for MNEs by posing the following research questions:

RQ1. What are the drivers and constraints of the RKT?

RQ2. How does RKT bring implications for the MNEs?

To address these questions, we used a cross-country comparison design with dyadic primary data from the United States, Denmark, Pakistan, India and Bangladesh. The case studies covered the perspectives of both MNE PCs and subsidiaries from different industries. We will begin with a presentation of the relevant literature on the subject, followed by descriptions of the research method and the sample. Next, we will present the empirical findings followed by an analysis and discussion of the findings, before drawing conclusions and noting the theoretical and practical implications of the study as well as suggested areas for future research.

Theoretical discussion

Knowledge-driven strength is key to a company's success (Costa, Bruno, Vasconcellos, & da Silveira, 2015; Liu, 2019; Jimenez-Jimenez *et al.*, 2020; Wijaya & Suasih, 2020). To leverage their competitive advantage, MNEs need to formulate, transfer and, ultimately, transform a knowledge asset into innovation or productivity (Kogut & de Mello, 2017; Soniewicki, 2022). Knowledge transfer is a continuous process of sharing information that originates from the sender and is acquired by the recipient via communication between individuals and releasing copyrights, published materials, or interchanging services (Fjellström *et al.*, 2017). Knowledge transfer is an important element in the success of MNEs (Soniewicki, 2022) and the context of MNEs. Nair, Demirbag, Mellahi, and Pillai (2018) and Froese *et al.* (2021) highlight the benefits of RKT to PC. However, the effectiveness of the transferred knowledge can vary between organizations (Wijaya & Suasih, 2020; Castro & Moreira, 2023). Liu and Meyer (2020) explore the dimension of RKT collaborations in cross-border acquisitions, finding human resource practices to be an important motivating factor.

RKT from EM subsidiaries

As noted above, RKT refers to a flow of knowledge and skills from subsidiary to PC aimed at facilitating productivity. The PC may not recognize the knowledge potential in their subsidiaries. This is especially true in the case of MNEs from developed markets with subsidiaries operating in EMs (Leposky *et al.*, 2017).

Growing populations, low-cost labor markets, and vast resources have been the strategic reasons for MNEs to have their units in EMs (Cavusgil, Deligonul, Kardes, & Cavusgil, 2018). However, due to cultural and institutional differences, running any business in these unsaturated EMs requires knowledge (Leposky *et al.*, 2017), so MNEs realized that their international business success is highly dependent on their achievements in EMs (Immelt, Govindarajan, & Trimble, 2009). Therefore, the knowledge that originates from subsidiaries in EMs can facilitate an MNE's global strategy by encouraging new product development and expanding its network opportunities. This means that, in EM contexts, RKT plays a major role in MNEs' success in the global arena.

Prior studies focused on mediating factors in the learning process (Kogut & de Mello, 2017). However, despite previous attempts to address knowledge-recipient factors in cross-border KT, the role of PC as a knowledge receiver has largely been taken for granted. Scholars previously highlighted the importance of the absorptive capacity of knowledge-recipient units in cross-border KT (Martins, 2016; Jimenez-Jimenez *et al.*, 2020). *Absorptive capacity* is defined as the

ability to identify new knowledge and acquire and assimilate it with the company knowledge base and, ultimately, utilize it to a commercial end (Nair *et al.*, 2016). According to Borini, Santos, Raziq, Pereira, and Brunhara (2022) and Wijaya and Suasih (2020), a firm's skill in acquiring intangible resources depends on its ability to manage and add newly obtained knowledge to its current base of intangible assets. The critical part of this driver is that it has little or no effect when the knowledge distance between the source and recipient unit is short (Liao, Liu, & Wang, 2012). However, MNEs often lack knowledge about their host countries (Leposky *et al.*, 2017). Therefore, there exists a knowledge gap between PCs and their EM subsidiaries. Thus, PC knowledge-acquiring mechanisms represent a crucial element in the RKT process.

Knowledge from subsidiaries allows PCs to track the social and political situation and market competition in a host country and thus mitigate issues such as resource scarcity and infrastructural voids (Leposky *et al.*, 2017). Regarding its role in internationalization, the subsidiary should be deemed as a "center of excellence" and a valuable source of knowledge to the MNE (Kandora, 2018; Jankowska, Bartosik-Purgat, & Olejnik, 2020). Therefore, subsidiaries need their own knowledge and skill sets to engage in the RKT process. In the case of EM – or developing nation subsidiaries – a subsidiary's network embeddedness allows local innovation to be transformed into global innovation through RKT (Ferraris *et al.*, 2020; Albis, Álvarez, & García, 2021). Previous studies also found that subsidiaries should have autonomy in decision-making to develop and transfer knowledge that can leverage an MNE's competitive advantage (Kogut & de Mello, 2017; Castro & Moreira, 2023). Hence, the organizational structure must be decentralized so that any subsidiary feels free to share its skills (Borini *et al.*, 2022). Subsidiaries need to be able to interpret and codify knowledge in appropriate ways so that the knowledge recipient can absorb it (Jankowska *et al.*, 2020).

Previous research identified several constraints in the cross-border KT process (Fjellström & Zander, 2016; Leposky *et al.*, 2017), with constraints such as cultural differences, misalignment and geographical distance noted to be hindrances to KT in MNEs and process drivers that can neutralize these issues (Jeong, Chae, & Park, 2017; Kogut & de Mello, 2017; Ferraris *et al.*, 2020).

When the relationship between intra-organizational actors is based on trust and constant collaboration, knowledge can be shared freely (Ferraris *et al.*, 2020; Soniewicki, 2022). Gaining trust in geographically and culturally distant relationships may require substantial communication efforts. To generate effective results in RKT, a PC should maintain frequent communication with its subsidiaries via information and communication technology (ICT) (Nair *et al.*, 2016). While the direct connections of digital tools may offer convenience (Nair *et al.*, 2016), Park and Vertinsky (2017) show that face-to-face communication is mandatory when partners aim to share tacit knowledge. Communication frequency plays an important role in RKT.

Another key driver of effective RKT is cultural awareness and intelligence – or cultural quotient (CQ) – which is defined as an individual's ability to familiarize oneself with unfamiliar cultural circumstances (Vlajić, Caputo, Marzi, & Dabić, 2019). In their study of KT between Swedish MNEs and their subsidiaries in China, Fjellström and Zander (2016) propose that an MNE's cultural sensitivity can ease the process of knowledge exchange. Similarly, the findings of Vlajić *et al.* (2019) highlight the influence of expat managers' CQ in RKT. For EM subsidiaries, it can be difficult to initiate the KT without an invitation. In this case, the knowledge recipient needs to be persuaded to gain insight from the source unit (Leposky *et al.*, 2017). At the subsidiary level, knowledge needs to be relevant to a subsidiary's knowledge pool and future development (Nair *et al.*, 2016). Therefore, knowledge applicability is imperative to successful RKT.

Knowledge from EM subsidiaries can provide MNEs with an opportunity to improve productivity through innovative processes (Driffield *et al.*, 2016; Jimenez-Jimenez *et al.*, 2020). In international business, firms can increase productivity through new product and/or

process development, revised manufacturing methods, or innovations that enhance the company's competitive advantage (Ayyagari, Demircuc-Kunt, & Maksimovic, 2011). Regarding subsidiaries, Najafi-Tavani *et al.* (2015) state that they can become more powerful because of RKT. The resulting power stems from the subsidiary's improved reputation in the MNE, which advances its influence in decision-making processes. In this sense, RKT can boost the competitive advantage of both the subsidiary and PC.

The conceptual framework presented in Figure 1 summarizes the above-discussed subsidiary and PC factors, drivers, constraints and consequences of RKT. As shown in the figure, subsidiary-level firms must possess knowledge and skills and the ability to transfer those skill sets and there must be a decentralized organizational structure by which to share the know-how. On the other hand, PC must be able to acquire and absorb that knowledge from its EM subsidiaries. Cultural differences and misalignment in the collaboration and geographical distance may hinder this process. However, process drivers that affect the entire process can mitigate these challenges: from the recognition of a knowledge asset at the source unit to its diffusion at the PC. Consequently, the RKT process provides MNEs with an opportunity for increased competitive advantage.

Methodology

A qualitative lens enabled us to obtain detailed insights, perceptions and experiences of the respondents (Yin, 2009; Easterby-Smith, Thorpe, Jackson, & Jaspersen, 2018). While selecting the case MNEs, we identified five MNEs with PCs in developed nations and subsidiaries in EMs. Thus, the selected cases had PC respondents from USA and Denmark with subsidiary respondents from India, Pakistan and Bangladesh. The chosen case MNEs also operated in knowledge-intensive sectors, namely information technology, telecommunication, project management and engineering.

Data collection

To gather diverse perspectives on the focused area of the study, we interviewed 10 managers from selected MNEs who were responsible for knowledge development and transfer activities. Out of these, three respondents were from the PCs and seven respondents were

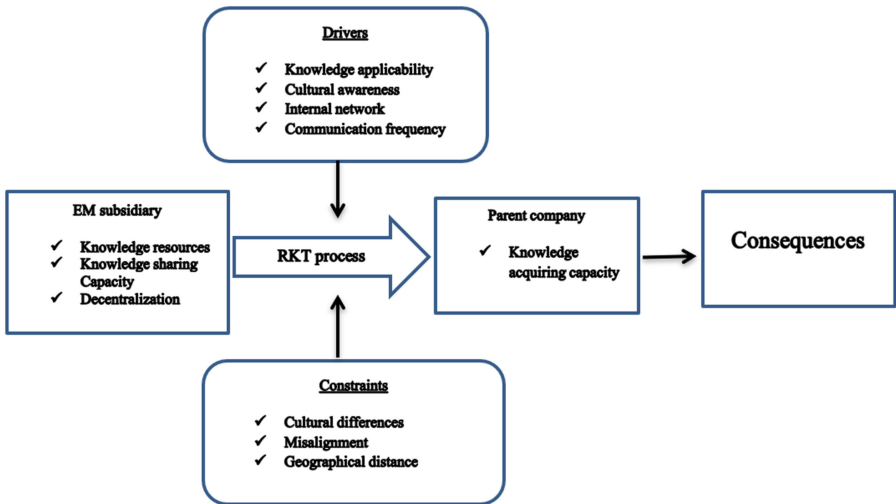


Figure 1.
Conceptual framework
for reverse knowledge
transfer in MNEs

Source(s): Own elaboration

from EM subsidiaries. Semi-structured interviews were conducted using digital platforms, namely Zoom, Microsoft Teams and Google Meet due to Covid-19 restrictions (Acharya, Prakash, Saxena, & Nigam, 2013; Creswell, 2014). We ensured the respondents' anonymity and referred to them throughout the study as P1-P10 (Korstjens & Moser, 2018). Interview details are summarized in Table 1.

The questions to the interviewees from both PCs and EM subsidiaries related mainly to the study's aim and formulated research questions to help us understand the RKT process and identify the drivers and constraints of KT from EM subsidiaries. All interviews were conducted in English as this was the corporate language. Transcripts were developed realistically and included notation of gestures, facial expressions and variations occurring in the respondent's voice while answering the questions (Creswell, 2014).

Data analysis

We conducted data collection, coding and analysis concurrently as proposed by Martin and Eisenhardt (2010). To gain further knowledge of the case firms, we collected secondary data from websites and printed public documents. We used the gathered secondary information for triangulation purposes to ensure data reliability. The analysis began by familiarizing ourselves with the transcripts. Next, we identified important aspects from the transcribed interviews and coded information by summarizing quotations and developing codes. Based on the codes, we developed memos to theorize our thinking and ideas (Table 2). Next, we reflected on the data by extracting important information from the dataset and then we compared the codes with the memos, looking for similarities, differences, frequent occurrences, sequences and connections (Easterby-Smith *et al.*, 2018) to develop themes and thus conceptualize the information. We developed five themes to describe the important issues of the study phenomenon (Martin & Eisenhardt, 2010; Cepellos & Tonelli, 2020); the role of PC and subsidiary in RKT, RKT communication channel, RKT constraints, factors alleviating RKT process constraints and implications of RKT for MNEs.

We analyzed the findings with the theoretical framework. Figure 2 presents the empirically grounded RKT implications framework. We ensured the study's trustworthiness

Participant	Industry	Country of origin	Position	Experience (No. Of years)	Duration
P1 Parent company	IT	United States of America	Unit Manager	20 Years	72 mins
P2 Subsidiary		India	Functional Consultant	3 Years	35 mins
P3 Subsidiary		Bangladesh	HR Manager	13 Years	50 mins
P4 Parent company	Project Mgt	United States of America	Senior Associate	10 Years	40 mins
P5 Subsidiary		Pakistan	Senior Energy Specialist	8 Years	48 mins
P6 Parent company	Logistics	Denmark	Director Operations	25 Years	67 mins
P7 Subsidiary		India	Regional Manager	6 Years	58 mins
P8 Subsidiary	Engineering	Pakistan	Country Manager	10 Years	65 mins
P9 Subsidiary		Pakistan	Manager Aftermarket	5 Years	61 mins
P10 Subsidiary	Telecom	Pakistan	Assistant Manager	6 Years	55 mins

Note(s): P – participant; mins – minutes
Source(s): Own elaboration

Table 1.
Information related to case MNEs, participants and duration of interviews

Table 2.
The process of
developing themes

Illustrative codes from interview data	Memos	Themes
“Some projects need to be completed within a short period of time and in that case we subsidiaries need to deliver the know-how to the parent company, so that is not an easy thing to do. It requires certain abilities to make sure that the parent company understands it completely.” “We never feel like working in a subsidiary. The parent company always maintains a team spirit and we always feel a part of the team like others with no hierarchical problems.” “Regular daily meetings and communication happen via digital platforms, and we only meet in person for particular projects that require personal interaction.” “Sometimes we need to communicate with the headquarters. This is due to the type of know-how we share. If the skill cannot be expressed through online platforms, then we have to make it through personal interactions.” “Most employees can speak fluently in English, but sometimes minor misunderstandings appear during the conversations because of differences in the pronunciation of different words.” “We share knowledge while working together. However, the subsidiary’s work attitude cannot synchronize with ours. And this could prevent us from learning.” “Since we run operations in different time zone areas, direct response is almost impossible while emails cannot express the whole intended meaning”	The subsidiaries need to play a role in spreading new knowledge through RKT. The parent company prefers to create an environment for effective RKT from the subsidiaries Both digital and face-to-face communication channels are used for RKT Language, cultural difference, and geographical distance are the main constraints of RKT	1 Role of the parent company and subsidiary in RKT 2 RKT communication channel 3 RKT constraints

(continued)

Table 2.

Illustrative codes from interview data	Memos	Themes
"More collaboration leads to more trust and attachment with the parent company, and as a result, it enables us to share more and more knowledge and ideas without any hesitation." "There is a big difference in the cultures of both countries of subsidiary and parent company. But our parent company is very receptive, so we never feel that difference, and it helps a lot." "Non-disclosure agreement signed before project initiation and company virtual network or machine used for communication only." "We have an open policy to extend all types of knowledge with the parent company where required, which enables new opportunities to benefit from past information." "We took this idea from an Indian subsidiary, and implemented it across the MNC by reducing the number of people in the confirmation for shipments process, so it now takes the company only a few hours to confirm a particular shipment with less resource utilization." "We can't share everything we know. This would eliminate our knowledge strengths. Therefore, we can only provide the parent company with certain knowledge for short periods, rather than showing them everything we have" Source(s): Own elaboration	Collaboration or internal networks, understanding of cultural differences, precautions taken for information exchange, and understanding the relevance of knowledge sharing from subsidiaries can mitigate the constraints of the RKT process RKT have positive consequences for MNEs, but RKT can also make the subsidiaries feel vulnerable in MNEs' global operations	4 Factors mitigating RKT process constraints 5 Implications of RKT for MNEs

and credibility through extended sessions with interviewees, diligent examination of the relevance of the information collected and continuous monitoring of the data collection and analysis process (Korstjens & Moser, 2018). The transferability element of trustworthiness was fulfilled by an extensive contextual explanation of all the sections of this study. We ensured the dependability and confirmability criteria of the study by constant examination of the data collection and analysis process (Korstjens & Moser, 2018).

Findings

The findings are presented based on five themes outlined in the methodology section. Each theme includes relevant quotes from respondents, who are referred to as participants (P).

Subsidiary's role in RKT

The findings suggest that EM subsidiaries' knowledge and skills are seen as a benchmark for the subsidiaries to yield to the KT process. However, the skills and expertise of the EM subsidiaries vary across different sectors. For instance, those operating in the IT industry must possess technological and technical skills, while subsidiaries of management firms need to show expertise in management to be able to draw the PC's attention. Moreover, apart from having specific expertise, subsidiaries must ensure that they deliver knowledge in a way that is comprehensible for the PC. As respondent P2 specified:

Some projects need to be completed within a short period of time and in that case, we subsidiaries need to deliver the know-how to PC and that is not an easy thing to do. It requires certain abilities to make sure that PC understands it completely.

We also found that decentralization and the empowerment of subsidiaries drive their inclination to commence the knowledge-sharing process. As respondent P9 indicated: "We always feel autonomy in all our decisions and initiatives except for some restrictions in the budget control activities." However, regarding the external network of EM subsidiaries, it is interesting that the unpredictable nature of these markets calls for subsidiaries to be more vigilant and develop a network with external actors in relation to economic and political circumstances, as these factors directly influence business operations. As respondent P5 noted: "The subsidiary's experience is a strength for the PC in the market during bids."

PCs' role in RKT

The findings established the significance of the willingness and capacity of the PCs to encourage and accept knowledge from their EM subsidiaries. An MNE's capacity to manage the KT plays a vital role in the RKT process, consequently motivating subsidiaries to share more ideas. As respondent P1 adds: "The PC is open to critique and to learning from local staff. The PC frequently sends foreign consultants to undergo training to get a better idea of how the country operates."

How an MNE perceives its EM subsidiaries also plays an important part in encouraging them to generate innovative ideas, thus promoting RKT. Two MNEs operating in the same sector but having different perceptions of their subsidiaries led to distinct outcomes. Respondents from the project management firm expected its EM subsidiaries to be responsible merely for implementing its projects in the emerging economy, resulting in no innovation. On the other hand, respondents from the logistics firm perceived its EM subsidiaries as knowledge centers, thus resulting in innovative ideas. As respondent P8 indicated: "In strategy regarding business decisions, products, marketing, etc. the subsidiary has autonomy with minimum influence of PC."

RKT communication channels

The findings highlight two distinct channels of communication in the RKT process: digital communication and face-to-face communication. Under usual circumstances, MNEs rely primarily on digital communication due to the significant geographical distance between a PC and its subsidiaries. As respondent P5 noted: "Daily regular meetings and communication takes place via digital platforms and only meet in person for particular projects that require personal interaction." Respondent P9 supported this view: "Official meetings every Friday... we meet with project managers online to discuss their progress."

In our study, respondents prioritized the use of digital communication between EM subsidiaries and PCs due to the global Covid-19 pandemic, which restricted face-to-face meetings. In some cases, face-to-face communication is still inevitable, especially when transferring tacit knowledge and/or discussing complex projects that remain difficult to communicate digitally. Business meetings, workshops, training sessions and regular employee exchange programs were noted to be the main forms of face-to-face communication. As respondent P2 explained:

During the annual worker exchange program, we are able to share our ideas about some solutions with our PC. As we are working right in the middle of operations, we can provide suggestions that may be overlooked by PCs.

RKT constraints

Since PCs and their EM subsidiaries operate in different markets, there are issues and constraints that influence the RKT process. This study revealed language, dialect, cultural and geographical distances to be such constraints. As communicating an idea or knowledge is solely dependent on the ability of the knowledge source to express that idea or knowledge, it is mandatory that they can express it in a language understandable to the knowledge recipient. Although English is a global business language used in communication with EM subsidiaries and many of the subsidiaries are proficient in communicating in English, differences in dialect remain a source of confusion at times. Many of the respondents described language barriers as a constraint for the RKT process. As respondent P3 indicated: "Most of the employees can speak fluently in English but sometimes minor misunderstandings appear during the conversations because of different pronunciations of different words."

Another basic hurdle in the communication process between PCs and EM subsidiaries that influenced RKT was cultural distance, with geographical distance adding to the issue of cultural distance and leading to further confusion and misinterpretations between the knowledge source and recipient unit. In some cases, this misalignment was consequently found to hinder the RKT process. Respondent P5 explained:

We faced problems in getting the managers to understand why we had to take 10–15 minutes to offer prayers that fell within office hours, as – initially – managers at PC doubted our commitment, leading to trust issues between both offices.

Respondent P1 added: "We share knowledge while working together. However, the subsidiary's work attitude and culture cannot synchronize with ours. And this could prevent us from learning."

Geographical distance could also negatively influence the RKT process due to time-zone differences, which can limit direct communication and thus create gaps. However, the study showed that reliance on digital communication yielded benefits for information confidentiality in the communication process. Respondents emphasized the importance of communicating via their company portals and/or networks to ensure security. As respondent P8 explained:

Since we run operations in different time zone areas, direct response is almost not possible. And email cannot express the whole meaning of the sender. Some parts of the information need some clarification immediately. In such cases, an online meeting is necessary. Here, we need to consider the time zone difference to make an appointment.

Factors that mitigate RKT process constraints

The study also showed that cooperation, trust, mutual awareness regarding cultures and knowledge applicability can ease the constraints of the RKT process between EM subsidiaries and PCs.

Internal networks. PCs and EM subsidiaries can develop their internal networks through trust and collaboration. The study demonstrated that a lack of this type of internal networking influences the RKT process. Weak bonding between EM subsidiaries and PCs negatively influences RKT. In contrast, a strong internal network and strong PC-subsidiary bonds in an MNE encourage subsidiaries via mutual understanding, trust and collaboration. As respondent P10 indicated:

We need to maintain mutual trust through regular interactions and collaborations. More collaboration leads to more trust... And as a result, it enables us to share more and more knowledge and ideas without any hesitation.

Respondent P7 also mentioned that: "We share knowledge and opinions with the PC. They need to trust our judgmental capacity and have a collaborative attitude to solve organizational problems."

Cultural awareness. Awareness of one another's culture enhances collaboration and helps to synchronize work behaviors between the PCs and subsidiaries. A better cultural understanding enables subsidiaries to share ideas more frequently and without hesitation. Respondent P8 confirmed: "If the PC managers had the knowledge of cultural norms of people of the country where the subsidiary is located, their attitudes toward us would have been different."

When there is strong linkage and collaboration, PCs are at the same time more receptive toward ideas from EM subsidiaries, as confirmed by respondent P7: "To improve the collaboration and learning experience, both subsidiary and PC need to understand each other's work attitude."

Security concerns in RKT. Most of the respondents stated that there was regular interaction between the EM subsidiaries and PCs. With limited face-to-face communication, PCs were compelled to rely more on digital communication. Respondents preferred to use their company portals and/or networks for digital communication to mitigate privacy concerns associated with other digital platforms. Moreover, the study revealed that subsidiaries and PCs signed confidentiality agreements to prevent the leakage of important information. As respondent P6 noted: "A non-disclosure agreement is signed before project initiation and only the company's virtual network or machine is used for communication." Respondent P4 added: "We keep frequent and clear communication with all our subsidiaries and that is one of the reasons we have trustworthy relationships with all our subsidiaries."

Knowledge applicability. To be able to assist in important decision-making processes, knowledge from EM subsidiaries should relate to MNE's current knowledge base. Subsidiaries share regular information in the form of progress reports and technical, technological and market-related knowledge. In some cases, it is nevertheless also substantiated that – even if a subsidiary's knowledge is not directly linked to the requirements of the PC – it may still be acceptable, depending on its potential to contribute to the MNE's competitive advantage. For instance, country-specific economic and political knowledge may not relate directly to an MNE's knowledge base but is still relevant because of its importance in MNE's future decision-making process. As one respondent from P9 commented: "Marketing, technical, technological, political,

and economic knowledge is what our PC expects from our subsidiaries.” Respondent P3 added: “We have an open policy to extend all types of knowledge to our PC whenever required to create new opportunities for the global organization.”

Implications of RKT for MNEs

Reverse knowledge transfer from subsidiaries operating in emerging economies benefits MNEs in several ways. For example, RKT can help MNEs detect problems and shortfalls in performance based on an EM subsidiary’s market knowledge. In turn, this can lead to the development of new processes in MNEs. As respondent P6 specified:

We took the idea from an Indian subsidiary and implemented it across the company by reducing the number of people in the shipment confirmation process and now the process takes only a few hours.

Knowledge from EM subsidiaries in the form of market dynamics also enables MNEs to successfully apply the best practice of a certain unit to other subsidiaries. As respondent P3 explained: “We developed the program and started using it in all our software and it is now employed across the company.”

Moreover, the study showed that RKT contributes not only to MNE’s competitive advantage but also to knowledge development at the subsidiary level. In the case of the telecommunications firm, an idea based on EM subsidiary knowledge was grasped and supported by the PC and developed into an application that now helps the MNE to make investment decisions. As respondent P8 confirmed: “We developed an application which enabled us to make better investment decisions. This technique, after its success, is now being adopted in other markets.”

Furthermore, the study indicated that the more an MNE’s affiliates feel recognized, the more independence they obtain. As respondent P5 stated: “Obviously, PC in the USA needs our knowledge not only to counteract the problems in the market but also to develop and expand their market share.”

When managers at subsidiaries feel free to engage in RKT, they become more active and thus feel empowered to influence the decision-making process at the PC level. Respondent P7: “Every year our managers go to Denmark through work exchange programs to share our ideas and concerns. As a result, PC’s strategy becomes synchronized with our vision.”

Despite the above advantages, there are also challenges related to RKT. On one hand, subsidiaries perceive a risk of losing their position if they continue to share their know-how with the PC. On the other, RKT increases MNE’s dependence on EM subsidiary knowledge. Finally, excessive reliance on a particular affiliate’s knowledge may also prevent the MNE from seeing beyond that affiliate’s knowledge and thereby limit the MNE’s opportunities if the knowledge is misleading. As respondent P2 described:

We cannot share everything we know. This would eliminate our knowledge strengths. Therefore, we can only provide PC with certain knowledge for short periods, rather than showing them everything we have.

Respondent P9 confirmed:

Although subsidiary knowledge is important to us, we also need to be aware of other perspectives. Obviously, we would entertain their suggestions. But we should also consider all other aspects to make a decision.

Discussion

The study aimed to develop a comprehensive understanding of RKT in the context of EM subsidiaries and their PCs in developed nations. The findings revealed that RKT is challenging and thus requires significant efforts on the part of both the knowledge source and the recipient unit.

Knowledge source and recipient in RKT

The study indicates that effective RKT is influenced by the efforts of both the subsidiary and PC. Leposky *et al.* (2017) state that RKT in EM contexts can be challenging due to volatile conditions and instability in the political, economic and social environment. As indicated in this study, external networking can help overcome these challenges. Furthermore, the study suggests that RKT effectivity depends on a subsidiary's embeddedness in its external and internal networks (Meyer & Thaijongrak, 2013). This contradicts Ferraris *et al.* (2020) who found that external connections of a developed country subsidiary have little or no influence on RKT. The current study further highlights how an MNE's ability to manage the learning environment can affect RKT, and how programs aimed at fostering knowledge sharing from EM subsidiaries can strengthen the PC's absorptive capacity (Nair *et al.*, 2016; Borini *et al.*, 2022). Moreover, PC's perception and attitude toward its subsidiaries can influence the attitude of MNEs to engage in RKT from EM subsidiaries (Park & Vertinsky, 2017).

Constraints and mediating factors in communication channels

In terms of KT channels, the study identified two channels, namely digital and face-to-face communication. While codifiable knowledge such as data analysis and information exchange occurs via digital channels, intangible knowledge such as skills and experience can be transferred through individual interactions. Due to the outbreak of the Covid-19 pandemic, dependency on digital communications has also risen and digital channels have in some cases become the only medium for RKT (Gregurec, Tomičić Furjan, & Tomičić-Pupek, 2021). However, when it comes to the innovativeness of MNEs, the study suggests that the face-to-face channel has a greater influence than digital channels (Park & Vertinsky, 2017).

Concerning personal interactions, the study showed that cultural awareness, trust, and reciprocal collaboration lead to effective RKT (Nair, Demirbag, & Mellahi, 2015; Ferraris *et al.*, 2020). Moreover, we confirmed that internal networks, and specifically informal relationships, can reduce issues related to cultural differences and create mutual understanding, thus promoting the knowledge flow from an EM subsidiary to the PC (Fjellström & Zander, 2016; Leposky *et al.*, 2017; Vlačić *et al.*, 2019).

Process drivers

According to Nair *et al.* (2016), knowledge is relevant when it connects to an MNE's intangible resources and offers further knowledge inference. The current study indicates that innovative ideas or know-how do not have to directly relate to the MNE's resource base for the KT from an EM subsidiary to be accepted if it is considered effective from a development standpoint (Wijaya & Suasih, 2020). Hence, we presume that RKT relies on the degree to which ideas and knowledge from EM subsidiaries can contribute to further innovation for the MNE.

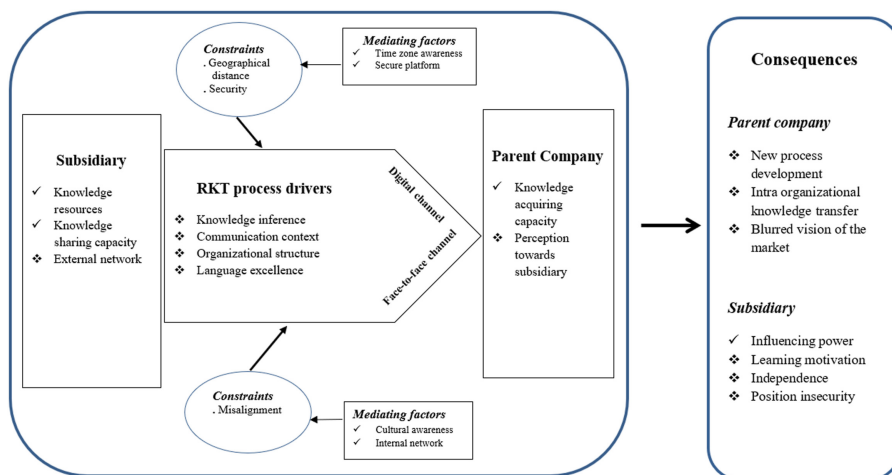
Moreover, we propose that the context of the interaction carries more weight than the communication frequency and thus claim that the communication context, rather than frequency, should be deemed as the mediating factor in the RKT process as argued by Soniewicki (2022). This claim contradicts that of Jeong *et al.* (2017), who suggest that frequent communication can promote RKT in that it motivates the subsidiary to share its know-how. The current study also suggests that the organizational structure – of both the EM subsidiary and the PC – has a substantial influence on the RKT process.

Consequences of RKT

This study found a positive association between KT from EM subsidiaries and new process development in MNEs. This finding coincides with the views of Driffield *et al.* (2016), Ferraris *et al.* (2020), Huang and Li (2019), Jimenez-Jimenez *et al.* (2020) and Albis *et al.* (2021).

Consequently, RKT presents opportunities for MNEs, but it also brings several challenges that need consideration. This study revealed that RKT entails a sense of insecurity for the knowledge senders, that is, EM subsidiaries, as they are concerned about losing their rightful position or company competence by sharing tacit skills that only they possess. [Reus, Lamont, and Ellis \(2016\)](#) also highlight this concern in relation to cross-border KT in international acquisitions.

The RKT implications framework ([Figure 2](#)) illustrates the drivers and constraints with the implications for the MNEs.



Note(s): ❖ new factors identified;

✓ factors identified in existing literature

Source(s): Own elaboration

Figure 2.
Reverse knowledge transfer implications framework

Knowledge from EM subsidiaries is transferred to PCs through two channels, namely digital communication and face-to-face communication. The two channels exhibit different constraints and mediating factors. The global Covid-19 pandemic has led to a greater reliance on the digital channel. To achieve effective RKT, subsidiaries need to ensure that they possess knowledge and skills and have the capacity to disseminate them. Moreover, PCs must similarly strengthen their knowledge-acquiring capacity and perception of the subsidiaries. Process drivers also play a major role in mitigating the factors that constrain RKT through knowledge inference, communication context, organizational structure and language excellence. The new factors identified in the RKT implications framework are knowledge resources and knowledge sharing capacity (subsidiary level), knowledge acquiring capacity (PC) and influencing power (implications). The study identified the drivers of the RKT process as knowledge inference, communication context, organizational structure and language excellence, and indicated geographical distance, security concerns and misalignment as its constraints, which occur through digital and face-to-face channels. Furthermore, it identified new process development, a blurred vision of the market and intra-organizational KT as RKT's implications for PCs. Finally, the study also revealed that RKT's implications for subsidiaries relate to influencing capacity, motivation through learning, position insecurity and independence.

Conclusions

The study's main contribution lies in identifying new factors that increase the understanding of the RKT process from EM subsidiaries to their PCs. The new factors identified in Figure 2 are knowledge resources and knowledge sharing capacity (subsidiary level), knowledge acquiring capacity (PC) and influencing power (implications).

Furthermore, the study revealed that RKT holds learning opportunities for MNEs, evident in the form of new process development and intra-organizational KT. These findings support the findings of previous studies on RKT contributions to MNEs (Costa *et al.*, 2015; Driffield *et al.*, 2016; Kandora, 2018; Ferencikova & Hrdlickova, 2020; Jimenez-Jimenez *et al.*, 2020). In this regard, this study contributes to effective knowledge management in MNEs by identifying mediating factors that influence the transfer and utilization of knowledge, thus yielding potential opportunities. The study also identified two distinct communication channels for RKT in MNEs, namely digital and face-to-face communication, and showcased the impact of Covid-19 on the use of these channels. It also determined mediating factors that can mitigate RKT constraints. This categorization of communication channels with intervening variables for the KT has not been witnessed in previous studies in the given context. Another contribution of the study is the attempt to introduce the challenges MNEs face because of RKT, which previous researchers did not take into consideration, and which presents a more balanced picture.

The study also identified the drivers, underlying challenges, and, consequently, the implications of the RKT process for MNEs. While previous studies looked at individual factors that affect RKT (Najafi-Tavani *et al.*, 2015; Nair *et al.*, 2016; Leposky *et al.*, 2017; Park & Vertinsky, 2017; Peltokorpi & Yamoah, 2017; Kogut & de Mello, 2017; Ferencikova & Hrdlickova, 2020; Raziq *et al.*, 2020), ours is the first to link drivers and challenges of RKT from EMs to the consequences for MNEs.

Furthermore, the study offers significant insights for MNEs' managers at both the PC and subsidiary level. Multinational enterprises seeking to increase their competitive advantage should pay more attention to knowledge generated by subsidiaries in EMs. The findings also imply that EM subsidiary managers need to understand the importance of the RKT drivers. Managers at both levels can use this study as a guide for understanding RKT's implications for both the PCs and the subsidiaries.

Despite its many insights and contributions, the study also has limitations. The primary limitation is that due to the Covid-19 pandemic, we conducted all the interviews digitally. Though the online platforms used are efficient and advanced, future studies that would incorporate both digital and face-to-face interviews may provide more in-depth discussion. The study specified responses from managers of subsidiaries only in EMs like Pakistan, India and Bangladesh. Consequently, the generalizability of the findings may be limited. Therefore, future research should include respondents from more EMs. We conducted the study during Covid-19 and observed that the pandemic influenced the RKT channels. However, future research is necessary to thoroughly examine how the global pandemic may influence the RKT process and the strategies related to communication channels for effective RKT. Moreover, although this study highlighted the learning aspects for MNEs resulting from RKT, it did not examine in detail how MNEs can utilize this knowledge efficiently across the company. The utilization of RKT in MNEs could hence be an area for future study. Future studies should also empirically validate the conceptual model specified in this study.

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