

Is Knowledge Transfer Within MNCs Good for Subsidiary Performance? The Role of Subsidiary Capabilities and Innovative Culture

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Abstract While a large body of research in the context of multinational corporations (MNCs) indicates that increases in knowledge transfer lead to better subsidiary performance, some studies suggest otherwise. When does knowledge transfer in a MNC benefit its foreign subsidiaries? To answer this question, this study extends the literature on knowledge transfer in MNCs by exploring how two sources of knowledge transfers, one from headquarters and the other from peer subsidiaries, influence a focal subsidiary's capabilities and firm performance. Drawing on the tenet of the resource-based and dynamic capabilities perspectives, and using data from 167 foreign subsidiaries in China, we propose and find that both sources of knowledge transfers positively influence a focal subsidiary's capabilities, albeit at different rates. Our results further show that while a focal subsidiary's innovative culture strengthens the effect of headquarters knowledge transfer on its capabilities, it weakens the impact of peer subsidiary knowledge transfer on the focal subsidiary's capabilities. More results and their implications are discussed toward the end.

References: Available upon request

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