Global Best Practice Transfer
The strive for Legitimacy

Master's Thesis 30 credits
Department of Business Studies
Uppsala University
Spring Semester of 2018

Date of Submission: 2018-05-29

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Acknowledgements

It is easy to underestimate the amount of work that goes into the writing of a master thesis. Without the help from our supervisor at Uppsala University Cecilia Lindholm and our supervisor at the case object this master thesis would have been an even greater assignment than it already was. We are grateful for their help.

We also want to thank all the respondents at the case object for their participation in this thesis.

Furthermore, we want to thank our fellow peers for their constructive opinions during the seminars. Finally, we want to thank Kim Meyer for input throughout the writing process and proof reading at the later stages of the process.
Abstract

The research topic for this thesis is the transfer of best practice from a MNC to a subsidiary during the pre-implementation phase of an ERP system. A lot is written about best practice transfer but there is a call for more research on how the implementation is perceived from a subsidiary perspective. This study wishes to contribute to the literature in the intersection between knowledge transfer and legitimacy within MNCs.

In order to do so, this thesis was conducted through a qualitative case study and data was mainly collected through semi-structured interviews. Based on the literature review five factors were identified that can affect the best practice transfer. Furthermore, the potential effect of legitimacy related to the knowledge transfer was investigated. The thesis resulted in the classification of indirect and direct factors that affect the transfer of best practices in an MNC and their impact on knowledge implementation and the increase of internal legitimacy for a subsidiary. Moreover, a relationship between knowledge and legitimacy was observed. An interesting finding that calls for more research was the facilitating effects of internal audits on the knowledge transfer.

Key words: Best Practice, Knowledge Transfer, MNC, Subsidiary, International Business, Institutional Theory, Legitimacy
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1.0 INTRODUCTION

This thesis is about best practice alignment imposed by a parent company researched from a subsidiary perspective. It is researched in the context of a pre-implementation phase of a global introduction of an enterprise resource system (ERP), where best practices are implemented. This is interesting because by transferring best practice subsidiaries can achieve competitive advantages and increase their legitimacy within the MNC.

Multinational corporations (MNCs) are closely connected to globalization (Pudelko & Harzing, 2008; Zhang & Edwards, 2007) through an increasing geographical dispersion (Pauluzzo & Cagnina, 2017). Moreover, MNCs are considered to be one of the driving forces behind globalization while at the same time, globalization forces MNCs to stay competitive in order to survive in the market (ibid). One concept connected to MNCs is legitimacy, and this is obtained by conforming to a taken for granted belief system, such as practices that are desirable (Suchman, 1995). Two types of legitimacy connected to MNCs are internal and external legitimacy (Kostova & Zaheer, 1999). Internal legitimacy refers to the legitimacy within the MNC while external legitimacy is connected to a subsidiaries external host-country environment. Internal legitimacy is important for a subsidiary in order to get access to organizational resources from the MNC (ibid.). For instance, knowledge is a type of organizational resource.

By transferring knowledge throughout its organization, MNCs have the potential to increase their performance (Dinur, Hamilton & Inkpen, 2009). Though, this possibility to transfer knowledge require effort from the MNCs. Large organizations that wish to stay competitive must be able to transfer knowledge internally, and therefore be aware of potential transfers barriers (Riege, 2007; Qin, Wang & Ramburuth, 2017). One frequently debated phenomenon regarding MNCs and their subsidiaries is how to transfer knowledge in the organization (Szulanski, Ringov & Jensen, 2016). Included in this transfer of knowledge is the transfer of best practices within the MNC. Best practice in a MNC can be considered as,

“Those practices that have been shown to produce superior results; selected by a systematic process; and judged as exemplary, good, or successfully demonstrated. Best practices are then adapted to fit a particular organization” (Jarrar & Zairi, 2000, p. 734). The transfer of best practices can be seen as company’s ability to transfer internal practices that are performed in a superior way (Szulanski, 1996). These practices are considered by Szulanski (1996) to be superior to internal alternatives and other known external alternatives.
outside the company. Some of the suggested benefits with the use of best practices are increased global integration of business operations (Zhang & Edwards, 2007), reduction of organizational complexity, the establishment of a common corporate culture and reduction of time spent on elaborating and examining different practices (Geary, Aguzzoli & Lengler, 2017). Furthermore, best practices can achieve standardization of business processes (Geary et al, 2017).

As a result of this quest for transferring knowledge and standardizing ways of working, a natural step for MNCs is to implement ERP systems (Rahimi, Möller & Hvam, 2016; Clemmons & Simon, 2001). ERP systems are extensive information systems that seek to integrate the flow of information within an organization and standardize processes by using a single information system (Dezdar, 2012; Sahran, Goni & Mukhtar 2010; Aladwani 2001; Maguire, Ojiako & Said 2010). Research suggests that the success of future integration of an ERP system depends on how well the firm prepares itself prior to the implementation phase (Schniederjans & Kim, 2003). An ERP implementation project is conducted through different phases (Ali & Miller, 2017). During the pre-implementation phase of an ERP-system the organization performs different preparation activities (Ahmadi, Papageorgiou, Yeh & Martin, 2015).

ERP systems contain “best practice” models and require companies to change their business processes to fit with these best practices (Ali & Miller, 2017; Christofi, Nunes, Peng & Lin, 2013; Nah, Lau & Kuang, 2001). Moreover, Markus, Axline, Petrie & Tanis (2000) have found examples of ERP adopters who encountered issues when business processes were not changed prior to the implementation phase. Research during the ERP pre-implementation phase is a field within the existing literature that calls for more research since there is a lack of studies during this phase (Ali & Miller, 2017; Jagoda & Samaranayake, 2017).

1.1 Problem statement
Zabjek, Kovacic & Stemberger (2009) state that one of the main reasons why large companies invest in ERP systems is because of the ability to implement best practices throughout the organization. The transfer of best practices within a MNC is a complicated venture (Szulanski, 1996; Dinur et al, 2009). Best practices can be situational specific (Wagner & Newell, 2005) and difficult to imitate internally (Szulanski, 1996). Local variations in practice can affect how the local processes are designed. When local ways of working are replaced with best practices set by headquarters, subsidiaries lose control over
their autonomy (Rahimi et al, 2016). As a result of this reduction in local autonomy, resistance of implementing these new processes often occurs. Furthermore, resistance or reluctance to change can also occur when MNCs try to transfer best practices across national and cultural boundaries (Raval & Subramanian, 2000). The importance of culture and context and how they affect the transfer capability within organizations is an area within knowledge management that need further research (Dinur et al, 2009; Perrin, Rolland & Stanley, 2007). There can be a conflict between the need for local responsiveness and the goal of global integration (Bjerregaard, Linneberg & Lauring, 2016). In connection to the conflict between global practices as well as the enduring effect of national business practices in multinational corporations there is a call for more research on how local managers and employee representatives deal with this tension (Geppert & Williams, 2006).

According to institutional theory, organizations need to gain legitimacy by conforming to rules and beliefs that exist in their surroundings (Suchman, 1995; DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Thus, subsidiaries face the challenge of achieving both internal legitimacy within the MNC and external legitimacy from its local context (Geppert & Williams, 2006). Thus, a conflict can arise in subsidiaries where the local managers have to deal with the conflict of achieving both external legitimacy in its local environment and internal legitimacy within the MNC (ibid.). With external legitimacy subsidiaries can access important resources in their local environment such as knowledge from local suppliers and support from their local government (Liao & Yu, 2012). Furthermore, as stated before, in order to access organizational resources such as knowledge, subsidiaries are dependent on internal legitimacy from parent company and other subunits within the MNC (Kostova & Zaheer, 1999). By adapting to organizational structures and practices from the MNC, a subsidiary can achieve internal legitimacy.

This conflict between the need for both local and global knowledge and the challenges of transferring knowledge in MNCs makes it a relevant and interesting phenomenon to further investigate. It is difficult to transfer best practice globally, for instance due to different contexts. This can affect the relevance of the transferred practices. Additionally, subsidiaries need knowledge to increase their internal legitimacy within the MNC, which makes the transfer process crucial.
1.2 PURPOSE
The purpose of this thesis is to address the theory on knowledge transfer in global organizations during the pre-implementation phase of an ERP system from a subsidiary perspective and enhance the understanding of legitimacy in this process. In order to fulfill the purpose of this thesis, the following question was identified:

1.3 RESEARCH QUESTION
- How does legitimacy influence the knowledge transfer from a MNC to a subsidiary?
In order to answer the research questions, a case study has been conducted in a Swedish subsidiary to an MNC. The Case Object is suitable to study because it has currently conducted an effort to implement parent company best practice in the context of the preparation phase of an ERP implementation. A more comprehensive description of the case object is found in the empirical chapter.

1.4 CONTRIBUTION
This thesis will make a theoretical contribution in the extension of the five knowledge transfer factors by including legitimacy on this process. Furthermore, the empirical contribution is the role of support and communication in the best practice transfer process within an MNC. Thus, this thesis will make a contribution to the international business literature, and more specifically to the literature in the intersection between knowledge transfer and legitimacy within MNCs.

1.5 OUTLINE OF THE THESIS

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FIGURE 1: VISUALIZATION OF THE DIFFERENT CHAPTERS IN THE THESIS.

The above figure shows the different parts of the thesis. In the next chapter we will present the findings from the literature review. A method chapter that outlines the methodological parts then follows this. Empirical findings are then presented in chapter 4 and then followed by an analysis and discussion in chapter 5. Finally we present our conclusions in the sixth and final chapter.
2.0 THEORY SECTION
In this chapter the findings from the literature review are presented. Furthermore, the conceptual framework for the analysis is presented.

2.1 GLOBAL INTEGRATION IN MNCs
MNCs operate in several countries and therefore a distant relationship occurs between headquarters and subsidiaries (Dinur et al., 2009). As a result, headquarters of MNCs face the challenge of incorporating the right control and coordination mechanisms in their subsidiaries (Dooms & van Oijen, 2008). Examples of challenges are to decide if subsidiaries should follow standardized ways of working or be given freedom to elaborate their own practices (Dooms & van Oijen, 2008; Bartlett & Ghoshal, 1989). The level of decision-making autonomy in subsidiaries is another concern that headquarters have to decide on (ibid). A high degree of interdependence between headquarters and subsidiary results in a greater need for integration (Clemmons & Simon, 2001). Bartlett & Ghoshal’s (1998) earlier research highlights the fact that global integration is difficult to achieve and several difficult trade-offs must be done.

Since the 1980s, many MNCs have strived for enhanced cross-border integration of worldwide activity (Park & Mense-Petermann, 2014; Zeng, Grøgaard & Steel, 2018). Szulanski & Winter (2002) as well as Bartlett & Ghoshal (1989) state that one of the main advantages for MNCs is their opportunity to spread smart routines and ways of working throughout the whole organization. Integration in an MNC can be viewed as the:

“Coordination and control of business activities by developing, utilizing and recombining resources and capabilities across borders” (Zeng et al., 2018, p. 2).

MNCs that are working along a global strategy tend to lean a lot on integration in order to spread the firm specific advantages throughout the whole organization (Zeng et al., 2018). Lupton & Beamish (2014) research suggest that headquarters can create integration and coordination, both directly and indirectly, and thereby enhance knowledge flows within MNCs. On one hand, Reilly, Scott & Mangematin (2012), claim that subsidiaries should strive for alignment with HQ strategy in order to achieve long term competitiveness. According to the authors, this is more important than chasing short term benefits from independent initiatives. On the other hand, MNCs have to adjust to respective host-country political, economic and other conditions when establishing foreign subsidiaries (Sageder & Feldbauer-Durstmüller 2018).
2.2 Organizational Knowledge & Knowledge Transfer

Knowledge is an important organizational resource (Szulanski, Ringov & Jensen, 2016; Dinur et al, 2009) and can take numerous forms within the organizational context (Perrin et al, 2007). When organizations interact with their surroundings they absorb information and gain experience that is then converted into knowledge (Davenport & Prusak, 1998). Without knowledge, organizations would not be able to pursue their business (ibid). It is suggested that organizational knowledge is an enabler for competitive advantages while some even puts organizational knowledge as a pre-condition for survival of firms (Loebbecke, Fenema & Powell, 2016). As stated above, competitive advantages are related to organizational knowledge and the ability to diffuse this knowledge within the organization (Teece, 1998).

MNCs with subunits that learn from each other are more likely to succeed than competitors that lack the capability of transferring knowledge (Szulanski et al, 2016; Dinur et al, 2009). The transfer of knowledge within organizations can lead to higher productivity and growth as well as increased competitiveness and likelihood of surviving in the market (ibid). In this thesis knowledge transfer is defined as:

“...The process through which one network member is affected by the experience of another” (Dinur et al, 2009 p. 433).

It has long been recognized that transfer of knowledge within organizations can be a key driver of company performance (Dinur et al, 2009).

2.2.1 Best Practice

One specific type of organizational knowledge is called best practice. Practice refers to a routine use of knowledge within a company (Szulanski, 1996) and is a result of lessons learned and shared experiences (Perrin et al, 2007). This is what Kogut & Zander (1992) calls know-how. Kostova (1999) state that organizational knowledge and competence reflects in the practices and that this particular way of doing something has been accepted and taken for granted. Best practice is therefore not only organizational knowledge, but rather a tested way of working that has proven to be successful for the organization (Dinur et al, 2009; Perrin et al, 2007).

Best practice can therefore both be seen as an exchange of organizational knowledge and a replication of organizational routines (Szulanski, 1996). The identification and transfer of best practice within MNCs have long been seen as strategic tool for achieving competitive
advantage (Raval & Subramanian, 2000). Transfer of best practices within an MNC enables subsidiaries to benefit from experience of others within the organization and use the best practices to make progress (Perrin et al, 2007). Furthermore, practices that have previously proved to be successful are easier to transfer compared to unproven practices (Szulanski, 1996).

2.3 INSTITUTIONAL PERSPECTIVE ON BEST PRACTICE TRANSFER

Institutional theory is an approach within research with the focus of understanding organizations as the product of social rather than economic pressure (Lorsch, 2013). It is popularly used to describe organizational behavior. The institutional perspective states that organizations must conform to rules and beliefs that exist in their surroundings in order to gain legitimacy (Suchman, 1995; DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Conflicts can arise within MNCs between headquarter and subsidiary since subsidiaries can face institutional pressure from both headquarters and their host country environment (Blazejewski & Becker-Ritterspach, 2011; Ferner, Edwards & Tempel, 2011). Kostova (1999) refers to this as institutional distance. Furthermore, institutionalization is the degree to which employees attach meaning and value to the transferred practice. According to Kostova (1999, p. 311) institutionalization is:

“The process by which a practice achieves a taken-for-granted status at the recipient unit - a status of “this is how we do things here””.

Thus the success of a practice transfer is the degree to which the practice have been institutionalized at the recipient, and the transfer process is therefore not ended until a practice have become part of the recipients normal settings (ibid). This is further supported by Jarrar & Zairi (2000) who state that the ultimate goal is to make a best practice part of the culture of work when transferred. Research within institutional theory shows that the level of adoption of practices often depends subjective perceptions on how well the practices conform to common values that exists within the organizational context (Lorsch, 2013). Thus, adoption of organizational practices is according to institutional theory a result of social pressure to achieve conformity and legitimacy rather than of economic incentives (ibid).

2.3.1 LEGITIMACY & BEST PRACTICE TRANSFER

As mentioned above, one concept within institutional theory is legitimacy (Meyer & Rowan, 1977). Legitimacy can be defined as:
"A generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions. (Suchman, 1995, p. 574).

Organizations are driven to incorporate prevailing practice and procedures that exists in society in order to gain legitimacy (Meyer & Rowan, 1977). In the institutional theory, legitimacy is dependent on cultural definitions that determine how organizations should operate (Suchman, 1995). Thus, to achieve legitimacy can be seen as conforming to a taken for granted belief system (ibid). Several different types of legitimacy occur in regards of MNCs. For example, legitimacy connected to the MNC as a whole and its surroundings or legitimacy connected to a subsidiary in its host-country environment (Kostova & Zaheer, 1999). Local managers in subsidiaries face the challenge of achieving both internal legitimacy within the MNC and external legitimacy from its local context (Geppert & Williams, 2006). Subsidiaries are dependent on internal legitimacy from other subunits and the parent company within an MNC in order to gain access to organizational resources such as knowledge (Kostova & Zaheer, 1999). It is more likely that a subsidiary achieves internal legitimacy if it conforms to organizational structures, policies and practices that prevail within the MNC (ibid).

A subsidiary, which improves performance by adapting practices from the rest of the organization, can increase their legitimacy (Szulanski, 1996). However, there is also research showing that organizations adopt practices in order to retain legitimacy even if the practice does not improve performance and efficiency (Wagner & Newell, 2005; Meyer & Rowan, 1977). If a subsidiary tries to become similar to its parent company by implementing the same best practices, internal legitimacy can be achieved (Kostova, 1999). Furthermore, by following instructions from the parent company, the subsidiary can radiate commitment to the MNC. The transfer of practices within MNCs and its subsidiaries is an ongoing process where different actors try to gain legitimacy (Bjerregaard et al, 2016). Szulanski (1996) concludes that if a knowledge transfer is initiated by an untrustworthy source resistance can arise in the subsidiary. Also, if the practice to be transferred is unproven, the legitimacy for the practice is lower and thus harder to transfer (ibid).

2.4 Knowledge transfer factors
The transfer of knowledge within organizations is important for many different reasons. However, transferring knowledge within MNCs is complicated. All transfers of knowledge
requires effort and results in difficulty to varying degrees (Szulanski et al, 2016) Often, the practice transfer process is not properly managed and there is a lack of sufficient skills for how to execute the transfer (ibid). As a result, the transfer of knowledge does not reach its full potential. Five factors that affect the knowledge transfer are contextual, cultural, organizational, support and communication and will be presented in this section.

2.4.1 Contextual
One reason for failure to successfully transfer best practices within an organization is the tendency to believe that it is an easy task (Szulanski & Winter, 2002). Attitudes play an important role during the transfer and many managers are overconfident and think that a successful practice can easily be transferred to another location. However, organizational practices are often ingrained within their own unique contexts (Dinur et al, 2009). This commonly results in failure and one of the main reasons for this is that people who are operating the best practice do not fully understand why a certain practice is superior to others (ibid). There can be many different reasons why a certain practice is performed in an excellent way, but managers often lack to recognize this fact. This phenomenon is referred to as causal ambiguity, meaning the extent to which organizational members understand the relationship between the practice’s input and its output (Szulanski 1996).

It is the uncertainty about what the input factors are, how they interact with each other and how they affect performance. As a consequence, if there is not clarity about what exactly makes a practice better than others, it is also hard to transfer this practice to another location (Szulanski & Winter, 2002). Furthermore, a best practice might be contextually dependent, thus different between geographical locations and business areas within the MNC (Lupton & Beamish, 2014). Dinur et al (2009) examined factors that affect the intra-firm knowledge transfer and conclude that the transfer of best practice is dependent on contextual factors. For example, critical contextual dissimilarities can inhibit the transfer of best practice within organizations (ibid). The transfer of best practice between home and host country with fundamentally different characteristics can inhibit the transfer process (Geary et al, 2017). All knowledge occurs in a specific organizational context and knowledge transferred to another organizational context might not only create difficulty but can also constrain the usefulness of the knowledge (Lind & Kang, 2017).

2.4.2 Cultural
Raval & Subramanian (2000) highlights the importance for MNC managers to understand the cultural context of best practices and to be aware that differences in these can be a challenge
during the transfer process. When there is low cultural distance, knowledge inflows in a subsidiary are most likely to enhance subsidiary performance (Qin et al, 2017). The cultural differences during the transfer can be seen through differences in perception, understanding, interpretation and motivation between the source and the recipient of the best practice (ibid). The culture in every subsidiary of an MNC is affected by the national culture in which it operates, thereby creating different sub-cultures throughout the MNC (Morgulis-Yakushev et al, 2017).

This complexity of managing these different cultures within an MNC is seen as a potential problem for success and efficiency (Morgulis-Yakushev et al, 2017). For example, Bjerregaard et al (2016) conducted a case study that highlights issues that arise as a result of cultural differences in practice transfer between a Danish MNC and its UK subsidiary. The authors conclude that MNCs are under constant reconstruction as a result of the practice transfer since local actors within the subsidiaries strive for increased influence, resources and legitimacy. Therefore, transferring a best practice within the same industry, but with different cultural context can result in a completely different outcome than anticipated (Raval & Subramanian, 2000; Szulanski, 1996). Some practice can also be hard to transfer due to differences in national culture within an MNC (Pudelko & Harzing, 2008).

2.4.3 Organizational
The expression “internal stickiness” refers to the difficulties a company can experience when transferring best practices internally within organizations (Szulanski, 1996). If the receiving organization have effective routines that can handle the knowledge transfer, it will most likely not be specifically difficult. On the other hand, if there is a lack of routines and a lot of ad-hoc solutions are required to handle the knowledge transfer, then the practice transfer is problematic and thus can be classified as “sticky” (ibid.). The organizational structure is another factor that can impact best practice transfer (Lupton & Beamish, 2014; Bartlett & Ghoshal, 1998). The inability to successfully transfer practices within an MNC can be related to the lack of absorptive capacity at the recipient end (Szulanski, 1996). If the subsidiary do not have sufficient pre-existing knowledge within the company, it can be hard to assimilate new knowledge (Ishihara & Zolkiewisk, 2017). O’Dell & Grayson (1998) exemplifies by saying that a manager within an MNC might know that a better practice exists, but he or she can lack resources, such as time and money, or lack sufficient practical experience and thereby being unable to implement the practice. Employees who can easily acquire new knowledge and skills are the most important adaptive resources (Davenport & Prusak, 1998).
Furthermore, Teece (1998) states that if what is to be learnt is already known to a great degree, then the greater the absorptive capacity. Subsidiaries must also be able to retain the transferred knowledge within the company (Szulanski, 1996). Therefore, to have retentive capacity is crucial for the practice transfer to succeed (ibid).

2.4.4 Support
The transfer of knowledge within MNCs is dependent on support for knowledge transfer initiatives to happen (Riege, 2007). Senior and middle managers play an important role in encouraging these transfer initiatives. In order to overcome knowledge transfer barriers Riege (2007) highlights the importance of communication between all organizational levels and the role of support between organizational units. This is in line with the reasoning by O’Dell & Grayson (1998) who state that it is necessary to create a supportive climate for the transfer. The transfer of best practice is a complex process and need support from experts (Jarrar & Zairi, 2000). The authors emphasize the necessity for the recipient of the best practice to perceive it as useful. In order to accomplish this, the receiver needs support from the sender and collaboration must take place between the two (ibid).

Furthermore, O’Dell & Grayson (1998) describes what they call best practice teams, who play an important role during the transfer process, mainly by supporting the best practice transfer and implementation. The teams are usually lead by functional experts and are supposed to assist and provide guidance during the transfer process. Ishihara & Zolkiewski (2017) conducted a case study and their findings indicate that weak network ties between subsidiary and headquarters was a reason for ineffective transfer of knowledge between the two units. Thus, weak network ties could be connected to lack of support during the transfer process. Moreover, the knowledge source can be reluctant to share knowledge out of fear of losing control or be unwilling to spend sufficient time and effort to the transfer process (Liyanage et al, 2009). Issues in the transfer of practices can also occur if the source of knowledge is not perceived as reliable (Szulanski, 1996). Thus, a transfer that is initiated from a source that is not trustworthy will be more difficult and likely to result in resistance from the receiver of the practice.

2.4.5 Communication
The transfer of knowledge is often an iterative exchange process (Szulanski et al, 2016). One of the simplest ways of describing the knowledge transfer process is by highlight the two main components, the sender of the knowledge and the receiver (Liyanage et al, 2009). In order to transfer knowledge between sender and receiver, some sort of communication must
take place. This might sound trivial but many times it is a complex task (ibid). The quality of the relationship between the source and the recipient in terms of ease of communicating can be dependent for success of knowledge transfer (Szulanski et al, 2016). A significant barrier to knowledge transfer can occur if there are differences in the way of communicating and collaborating between sender and receiver (Szulanski, 1996). Interaction between recipient and sender, such as face-to-face meetings, visits and observations can increase the level of understanding recipients have about the practice being transferred (Szulanski et al, 2016). Liyanage et al (2009) term the different ways communication can occur between sender and receiver as modes. These modes of communication can either be formal or informal, as well as personal or impersonal.

The transfer of practices between groups requires frequent interaction (Kogut & Zander, 1992). It is paramount that members of these groups share a “common language”, meaning that they have a common terminology and understand each other. A common problem is related to the use of different professional knowledge within an MNC, for example when a practice is to be transferred horizontally between the same functions but in different locations. In order to enhance the communication, certain individuals play important roles as boundary spanners (ibid). Furthermore, the transfer of knowledge is not only a matter of communicating but also about interpretation (Liyanage et al, 2009). Only when knowledge is contextualized so that the receiver properly understands how to utilize the knowledge will it offer value to the receiver. When knowledge is transferred within MNCs, there is often a deficit understanding about how the choice of communication, or mode in accordance with Liyanage et al’s (2009) terminology, can affect the interpretation of the knowledge transferred. A practice transfer who consists mostly of non-verbalized components can require numerous individual exchanges in order to be successful (Szulanski, 1996). Communication can generate organizational commitment by clarifying why a certain practice should be transferred (Jarrar & Zairi, 2000). Therefore the communication between the sender and the receiver becomes crucial. If there is deficit communication between the two, the transfer will become problematic.

2.5 SUMMARY OF THEORY CHAPTER
Based on the presented theory in this chapter, a conceptual framework has been created. As is previously described it is common that MNCs try to transfer best practices to their subsidiaries, which can lead to competitive advantages. However, this transfer process often
results in challenges. Through the literature review, five factors have been identified that potentially can influence the knowledge transfer within MNCs, see figure 3.

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<th>Legitimacy</th>
<th>Knowledge</th>
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<td>Contextual</td>
<td>Cultural</td>
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<td>Organizational</td>
<td>Support</td>
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<td>Communication</td>
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**FIGUR 2: CONCEPTUAL FRAMEWORK.**

These factors are named contextual, cultural, organizational, support and communication. An analysis will be made in chapter 5 on how these five factors have impacted the best practice transfer to the case object. Furthermore, as is presented in this chapter, the adaptation of global knowledge from the MNC can increase the legitimacy for a subsidiary within the rest of the MNC. Therefore, the subsidiary can face an institutional conflict if facing pressure to conform to divergent practices from the MNC and its local host-country environment. Therefore, these five identified factors will also be analyzed from a legitimacy and knowledge perspective. Thereafter, a concluding analysis is made in chapter 5 on how the different factors affect each other and their relation to legitimacy and knowledge.
3.0 METHOD
In this chapter the backbone of this thesis is presented, namely we elaborate on the different methodological considerations made during the creation of this thesis.

3.1 RESEARCH APPROACH - QUALITATIVE
A specific research approach constitutes a frame for the collection and analysis of data (Bryman & Bell, 2013, p. 62). The research in this thesis is based on a qualitative study with an inductive approach, meaning that data is collected and analyzed against theory in order to make a conclusion (ibid). Theory is thus the outcome of the conducted research. Furthermore, the qualitative research approach is subjective, hence it is necessary for the researcher to create personal evaluations and judgments (Walle, 2015, p.30). This is in contrast to the quantitative approach that is based on more or less quantifiable facts (Walle, 2015, p.30). Some skepticism exists against the qualitative research approach where the central criticism is against the mainly subjective method (Walle, 2015, p. 130-131). Still, as Walle (2015, p. 134) states, “On many occasions, an understanding of a subjective social reality is profoundly more important to business than the objective reality documented by science and empirical analysis”. Nonetheless, it is especially important for research conducted with qualitative method to keep for instance neutrality in mind to ensure that the work is respected (Walle, 2015, p.130-131). Since one of the authors of this thesis did an internship at the case object during the pre-implementation phase of the ERP-system there is a risk that this author is biased. However, since the second author had no connection with the case object before the work with the thesis begun we believe neutrality have been ensured in the resulting theory. This subject will be further elaborated later in this chapter.

3.2 CASE STUDY DESIGN
A case study has been conducted for this thesis in order to examine a specific phenomenon. A case study is research conducted with a high level of an analysis based on a single case (Bryman & Bell, 2011, p. 59). This is one common way of doing research in business studies (O’Gorman & MacIntosh, 2015. p. 80). A single case can refer to a single organization, location, person or a single event (Bryman & Bell, 2011, p. 59-60). As in this thesis the case study is a single organization. It offers the opportunity for researchers to study a certain phenomenon and its unique features in-depth. One frequently used argument for the choice of case study design is that it allow for research in a certain context with a degree of complexity (ibid). The case study design was selected based on the opportunity for the authors to attain
close access to the study company. Thereby a specific phenomenon is studied and analyzed as it occurs in its natural surrounding and it cannot be separated from the context in which it exists (O’Gorman & MacIntosh, 2015. p. 81). The case study approach is beneficial because it offers an opportunity to study a certain phenomenon that for some reason is not sufficiently studied (ibid.) The phenomenon for this thesis was chosen based on its unique features regarding knowledge transfer from a subsidiary perspective. By doing so, new theoretical outlooks and explanations can be achieved (ibid.). Criticism is directed against the use of case studies due to its high contextual dependency and therefore lack of generalizability (Bryman & Bell, 2011, p. 61). The outcome of this thesis could not and should not be generalized, since the phenomenon occurs in a unique setting. However, the possibility to gain deeper understanding in this phenomenon makes it relevant for this type of research design.

3.3 Selection of Case Object
The case object was selected because the case object site in Sweden is currently standing in front of a major change in their way of working, with the implementation of best practices and standardization of processes. This makes it an interesting case object that allows us to research the knowledge transfer process in a MNC. The company also agreed to participate in this study. This gave the researchers the opportunity to access relevant research material for this thesis. Case studies require closeness and access to a specific context, which could be achieved during a case study (Bryman & Bell, 2011, p. 59). The company had not yet implemented the ERP system, but had been working during one year to align current business processes with parent company best practices and therefore it was possible to research how the company prepared for the implementation of the ERP system.

3.4 Author’s Pre-understanding of the Case Company
As stated earlier in this chapter, one of the authors did an internship at the case study organization for 20 weeks during the fall of 2017, which is within the time frame of the focus for the research in this thesis. Discussions started early during the internship about the possibility of conducting a case study at the organization for the upcoming master thesis and was later also approved. Hence, one of the authors was involved in the social life of the study object for this thesis and the level of initial knowledge for the current situation was therefore quite high. Thus, the area of interest to research was set at an early stage and the pilot interviews as well as the semi-structured interviews could be conducted at an early phase during this thesis.
3.5 Literature review - Narrative

A literature review is important because it offers insight on what has previously been written in your specific area of interest, what research theories and concepts that are relevant and what methods that has been used (Bryman & Bell, 2011, p. 91). The literature review is the foundation on which you justify your research question and research design (ibid). Significant controversies, inconsistencies in findings and gaps in the literature can be identified through the literature review. Literature reviews can be conducted in several different ways. One type of literature review is called narrative literature review (O’Gorman & MacIntosh, 2015. p. 31; Bryman & Bell, 2011, p. 101). For this thesis, this kind of literature review has been conducted. The narrative literature review started from a wide spectrum with the authors searching databases from Uppsala University’s library and reading literature with topics related to knowledge transfer, best practice, MNCs and ERP implementation. The purpose of the narrative literature review is to analyze and summarize a body of previous literature, in order to present a comprehensive background to a certain area of interest. By doing this, new research streams can be explored and gaps in current literature identified, which eventually can lead to a research question being formed (ibid). Theoretical and conceptual frameworks can also emerge from this type of literature review. During the process of reading previous research, the topics became more specific to the areas of interest for this thesis. Eventually, after extensive reading was performed and initial pilot interviews was held at the case object, the authors were able to specify an area of interest to be researched. Thus, the narrative literature review was conducted in parallel with the pilot study.

3.6 Data Collection

In this section, the different methods for data collection in this thesis will be presented.

3.6.1 Primary and secondary data

Primary data can be described as data that has been collected primarily for a specific research object (O’Gorman & MacIntosh, 2015. p. 77). On the contrary secondary data is not produced for the specific purpose of the research area, but instead it is data that already exist (O’Gorman & MacIntosh, 2015. p. 79). However, secondary data can be of high importance and is often used to complement primary data. Since this type of data exists independent of the research object, it can be used to either support or question primarily collected data. During the research for this thesis, both primary and secondary data have been used. Primary data like initial pilot study, semi-structured interviews, informal meetings and field notes.
Secondary data have been used in form of internal organizational documents, both in terms of written documents and visualizations. The primary and secondary data sources will be described in detail in the following sections.

3.6.2 **Pilot Study**

Pilot studies can be a good way of testing if the planned research is possible to conduct (Bryman & Bell, 2013, p. 276). It also offers a possibility to ask open questions in order to identify interesting aspects related to the proposed topic that could be of interest to investigate further (O’Gorman & MacIntosh, 2015, p. 135). At an initial stage, a pilot study was conducted by the use of unstructured interviews. By conducting a pilot study through interviews, researchers can identify areas where respondents have divergent answers and what topics respondents express as difficult (Bryman & Bell, 2013, p. 277). Two representatives at the case object was asked open question related to areas of interest for the researchers. This was done in order to get a better understanding of the work made by the case object during 2017 and to be able to identify potential areas that could be of interest for further research. The pilot study enabled the identification of knowledge transfer within MNCs as an interesting area to further investigate. Moreover, the pilot study helped the authors to ensure that the research agenda was correctly designed. Which according to O’Gorman & MacIntosh (2015, p. 121) is one of the areas of use for pilot studies.

3.6.3 **Semi-Structured Interviews**

Semi-structured interviews were the primary source of data collection for this thesis. Myers & Newman (2007) state that interviews are one of the most important tools for gathering data in qualitative research. Semi-structured interviews means that the researchers conduct interviews based on questions related to a certain area of interest (Bryman & Bell, 2011, p. 467), and the interviewer controls the flow of the interview in order to obtain certain data (Walle, 2015. pp. 72-73). However, these interview questions do not necessarily have to follow a specific order and the respondent has freedom to elaborate on different areas that regards the question (O’Gorman & MacIntosh, 2015, p. 119). The researcher should grasp the opportunity of flexibility when conducting semi-structured interviews (Myers & Newman, 2007). The respondents also have the possibility to ask follow-up questions that are not included in the interview guide (Bryman & Bell, 2011, p. 467). This allows for a more dynamic interplay between the respondent and the researcher (Bryman & Bell, 2011, p. 467). Still, the questions in the guide should be the main focus during the interview (ibid). This was the case during the semi-structured interviews for this thesis. Questions were asked based
on an interview guide that had been created in advance of the interviews. The interview guide (see Appendix) contained questions related to knowledge transfer and best practice within MNCs but was not asked in a particular order but instead based on the topic of the conversations. The respondents were also asked to elaborate on certain topics we found interesting.

However, the interviewer still limits the informant’s degree of freedom by steering the interview in a certain direction (Walle, 2015. pp. 72-73). When conducting interviews, the researcher tries to understand the world from the perspective of the respondent (Kvale, 2006).

“The interviews give voice to common people, allowing them to freely present their life situations in their own words, and open for a close personal interaction between the researcher and their subjects” (Kvale, 2006, p.481).

Furthermore, researchers should represent various voices from the study object (Myers & Newman, 2007). When conducting semi-structured interviews the interviewer needs to have some specialized information about the subject, which is the focus for the interview (Walle, 2015. pp. 72-73). This will help the interviewer to understand when clarifications are needed by the respondent (Walle, 2015. pp. 72-73). For this thesis one of the authors had special knowledge about the company that enabled the data collection to be more detailed than would otherwise be possible. It is also important to make sufficient preparations before the interview (Walle, 2015. p. 70). For instance, when preparing the questions it is important to make sure that the questions are not leading (O’Gorman & MacIntosh, 2015. p. 120). All of the conducted semi-structured interviews were recorded after approval from the respondents and later transcribed. Recording interviews give researchers the opportunity to focus more on the actual conversations than on taking notes (Bryman & Bell, 2011, 482). Also, it is beneficial to transcribe the interviews since it allows for a thorough examination in hindsight of what the respondents said and offers possibility to go through the material multiple times before making analysis (ibid).

3.6.4 SELECTION OF RESPONDENTS

Selection of respondents for this thesis was based on the relevance for the studied phenomena. Once the research topic was outlined, a meeting was held with our supervisor at the case object in order to jointly come up with suggestions of those who would be most interesting and relevant to interview. After consultation with the supervisor it was concluded that a certain number of respondents were interesting to interview within the scope of this
thesis. Following this, a request was sent out to the selected interview respondents. The authors of the thesis were fortunate to be offered the possibility to interview all of the selected respondents. However, as can be seen from table 1 below, showing the respondents, there was a limited amount of people involved in the knowledge transfer process during the ERP pre-implementation phase, which is the focus for this thesis. Thus we were not able to find more respondents to interview, which had otherwise been done. To compensate for this somewhat low number of available respondents, the thesis writers spent six weeks full time at the case object and had several informal conversations with the respondents. This allowed us to acquire good insights of the work made by the case object and the phenomenon being researched. One could also argue for the positive aspect of being able to interview all people involved in a certain process, thus being able to compare all participators answers. The only restriction of access to the respondents was the limitation of time during interviews. Some of the respondents hold high position within the company and naturally have a tight schedule to fit the interviews into. Below is a table that presents an overview of the respondents and their roles at the organization.
All the respondents have in different ways been involved and worked with the preparation phase conducted to implement best practices. There are though differences in levels of involvement and the degree of work with details. By selecting respondent who have all been involved in the same process but on different levels and with different tasks it is possible to identify differences and similarities in their answers.

3.6.5 Field Notes

Field notes have been collected mainly during the internship in 2017 but also during the six weeks spent at the case object for data collection. It is used as a complement to the semi structured interviews. Field notes are according to Walle (2015):

"Subjective notations that are created during the period (or at about the time) when empirical observations are being made” (Walle, 2015, p. 30,).

<table>
<thead>
<tr>
<th>Name in thesis</th>
<th>Role of respondent</th>
<th>Length of interview</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondent A</td>
<td>Financial Systems Manager</td>
<td>85 minutes (pilot interview)</td>
<td>5 February - 2018</td>
</tr>
<tr>
<td>Respondent B</td>
<td>Financial Controller Manager</td>
<td>85 minutes (pilot interview)</td>
<td>5 February - 2018</td>
</tr>
<tr>
<td>Respondent C</td>
<td>Business Controller (M&amp;TO)</td>
<td>25 minutes</td>
<td>21 February - 2018</td>
</tr>
<tr>
<td>Respondent D</td>
<td>Chief Financial Officer (CFO)</td>
<td>45 minutes</td>
<td>21 February - 2018</td>
</tr>
<tr>
<td>Respondent E</td>
<td>Project Leader - Best practice</td>
<td>45 minutes</td>
<td>22 February - 2018</td>
</tr>
<tr>
<td>Respondent F</td>
<td>Business Controller (Support functions)</td>
<td>25 minutes</td>
<td>23 February - 2018</td>
</tr>
<tr>
<td>Respondent G</td>
<td>SAP implementation manager Nestlé</td>
<td>15 minutes</td>
<td>27 February - 2018</td>
</tr>
</tbody>
</table>
Field notes are made in order for the researchers to develop more refined and detailed analysis (Walle, 2015, p. 30). This data source is especially important during informal conversations in order to generate collectable data (O’Gorman & MacIntosh, 2015. p. 134; Bryman & Bell, 2011, p. 444). Field notes can both be created when an event takes place, but also at a later time (Walle, 2015. p.30). It is preferable to create the field notes immediately after the event take place, unless there is a satisfying reason for not doing so (Walle, 2015, p.30; Bryman & Bell, 2011, p. 444). This was the case during the internship when field notes was taken on a daily basis regarding different activities involving the thesis author. Besides the internship, field notes was also taken during six weeks spent at the case object by both authors during the data collection for this thesis. For example, when interesting aspects were discussed during lunches or coffee breaks with employees at the case object, the thesis writers took notes as soon as possible after the conversation. Often it was done by writing a short summary of the discussion or bullet points of the topic. These kinds of notes was then stored by the authors and later used as a reminder of different findings that could complement the empirical material. Some readers however does not approve of the subjective character of the field notes and the following conclusions that are based on these (Walle, 2015, p.30). In order to face this problem, the field notes used in this thesis have only served in triangulation purposes, hence, the field notes have not been used to add any new aspects.

3.6.6 DOCUMENTS
Documents have been used to complement the primary data collected for this thesis. The term document is broad and can refer to several different types of documentation (Bryman & Bell, 2011, p. 544). Some common examples of documents are personal documents, official government documents, various types of organizational documents and visual documents (Bryman & Bell, 2013. p. 549). Different types of internal organizational documents were used for data collection in this thesis. Since one of the authors did an internship at the case object, the authors had access to documents that had been collected and stored during that period of time. More documents were also collected when needed after asking our supervisor. In order for documents to be of relevance it should fulfill certain criteria (Bryman & Bell, 2013, p. 549). It is important that the documents are not produced only for the purpose of being included in the research. Instead it should be documents, which already exists and thereby is available for the researcher to collect and analyze. Organizational documents are
an important data source in business studies (Bryman & Bell, 2013. p. 554). These types of documents can be of both official and internal nature.

Internal documents offer the possibility for researchers to gain a deeper understanding of certain phenomenon (Bryman & Bell, 2013. p. 556). Documentation of internal character can also be used to verify or support other empirical findings. The documentation used for this thesis is of internal character. For example, internal documents used for training purpose of employees, scheduled rollout plan of the implementation, process maps and documents showing weekly development of key performance indicators (KPIs) regarding the best practice transfer. Another type of documents is visual documents (Bryman & Bell, 2013. p. 559). This type of document can be different photographs and videos. Visual documents used as data in this thesis are different posters places at several locations at the case object.

**TABLE 2: OUTLINE OF THE COLLECTED DOCUMENTS**

<table>
<thead>
<tr>
<th>Name in thesis</th>
<th>Content</th>
<th>Document type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Document A</td>
<td>ERP &amp; Best practice Rollout information</td>
<td>Internal document</td>
</tr>
<tr>
<td>Document B</td>
<td>End-to-end process map</td>
<td>Internal document</td>
</tr>
<tr>
<td>Document C</td>
<td>Best practice announcement</td>
<td>Internal document</td>
</tr>
<tr>
<td>Document D</td>
<td>CEO PowerPoint presentation</td>
<td>Internal document</td>
</tr>
<tr>
<td>Document E</td>
<td>Best practice information folder</td>
<td>Internal document</td>
</tr>
<tr>
<td>Document F</td>
<td>ERP &amp; Best practice Newsletter</td>
<td>Internal document</td>
</tr>
<tr>
<td>Document G</td>
<td>ERP &amp; Best practice Newsletter</td>
<td>Internal document</td>
</tr>
<tr>
<td>Document H</td>
<td>ERP &amp; Best practice Newsletter</td>
<td>Internal document</td>
</tr>
</tbody>
</table>

**3.7 DATA ANALYSIS**

Data analysis of qualitative data is different from statistical data, since this type of analysis does not follow the same formulas and rules (Patton, 1999). Qualitative data from interviews or participative observations often constitutes a vast and unstructured text material (Bryman
& Bell, 2013, p. 575). In comparison to the analysis of quantitative data, there are no clear rules for analyzing qualitative data (ibid). The process of analyzing qualitative data is considered to be a more creative process, which is dependent on insights and conceptual capabilities of the analyst (Patton, 1999). However, there are some common courses of action for how to go about the analysis (Bryman & Bell, 2013, p. 574). The analysis must be done in a way so that others understand the methodology and thereby can judge the quality of the end-result (Patton, 1999). In this thesis we have used thematic analysis to deal with the unstructured data we collected from interviews and later transcribed.

3.7.1 THEMATIC ANALYSIS

Thematic analysis was conducted for the data analysis in this thesis. Thematic analysis is referred to as “a method for identifying, analyzing and reporting patterns (themes) within data” (Braun & Clarke, 2006, p. 79 cited in Vaismoradi, Turunen & Bondas 2013). This is also supported by Bryman & Bell (2013, p. 575), who state that thematic analysis is one common way of analyzing qualitative data. The aim with thematic analysis is to break down texts about life stories into smaller parts and expose them to a descriptive treatment in order to analyze (Braun & Clark, 2017). The use of thematic analysis is said to give a detailed, rich and complex production of data, while being a useful and flexible research tool.

Even though thematic analysis might seem like an easy process, it is important to follow certain steps (O’Gorman & MacIntosh, 2015, p. 145). The first step in thematic analysis is to get familiarized with the data, the interviews are transcribed and by reading the transcript multiple times a holistic sense can be obtained (Bryman & Bell, 2013, p. 589). Both manifest and latent content is taken in consideration. The transcribing of interviews was divided among the authors, and when all the interviews were transcribed the content was read several times by both authors. The next step is to create themes and codes in the transcripts, these are then named and reviewed so they can be applied over the whole dataset (Bryman & Bell, 2013, p. 587). Themes is described as, “It captures something important about data in relation to the research question, and represents some level of response pattern or meaning within the data set” (Braun & Clarke, 2006, cited in Vaismoradi, Turunen & Bondas 2013, p. 402.). When creating themes in the transcribed data, the authors went over the texts separately from each other. Both authors created their own themes in the data. This initial separate coding was made to ensure that the authors did not affect their initial impressions of the data. The themes from the authors were reviewed and if the authors could agree after discussion grouped and combined into the five main factors found from the literature review.
The final step was to present the results of the data analysis, and this was done through a model, visualizing the different themes. In this thesis the researchers have based the analysis on the five factors found from the literature review and presented in the conceptual framework. The analysis of secondary data was made after the analysis of primary data. The collected documents from the company were read several times in order to get a holistic view. The content that was of relevance for this thesis was used to support primary data. This content also helped us confirm findings made in the interviews.

3.8 TRIANGULATION

Triangulation refers to the use of multiple methods and sources for data collection (Patton, 1999). By collecting data from different sources, triangulation can be seen as a tool for testing validity in qualitative research (Carter, Bryant-Lukosius, DiCenso, Blythe & Neville, 2014). Triangulation can be seen as a way of reducing biases derived from the researcher, thereby increasing the level of reliability (O’Gorman & MacIntosh, 2015, p. 90). In order for the authors to create reliability several different sources, both primary and secondary data have been used. Mainly, the data collected from interviews and through field notes have been complemented by secondary data in terms of internal documents supporting the primary data. This has also ensured validity of the data, since the primary data can be compared with the secondary data that exists independently of this thesis.

3.9 ETHICAL CONSIDERATIONS

Ethical considerations during research are important according to O’Gorman & MacIntosh (2015, p. 197-198) because it improves research outcome and helps navigate sensitive topics. It is also important for researchers to be aware of different ethical aspects, since only then can these aspects be addressed (Bryman & Bell, 2011, p. 128). If ethical aspects are prioritized, such as being transparent about the purpose behind the research it will increase the likelihood of getting exhaustive answer from the participants. Therefore, it is important that respondents are well informed and a level of trust is established between respondent and researcher. In the following sections, different ethical principles will be highlighted.

Harm to participants, namely research that hurts the participants are generally seen as something unacceptable, however the line between what can be considered as harm is vague (Bryman & Bell, 2011, pp. 128-132). Harm comes in many forms, from harm in terms of physical harm to harmed career possibilities. In this thesis the authors considered harm to the participants by firstly making sure that all respondents were anonymous in the final thesis.
Furthermore, the respondents were offered to scrutinize the data that was collected from their respective interview. Additionally, senior management approved documents before it was included in this thesis.

Invasion of privacy refers to fact that researchers must respect that respondents are not comfortable of discussing certain topics and should therefore not be pressured to do so (O’Gorman & MacIntosh, 2015, p. 203). The authors have tried to address this principle of ethics during the research process by being aware of topics that are not appropriate to discuss and not pressuring respondents to answer.

Deception is an ethical consideration that can occur in many different forms (O’Gorman & MacIntosh, 2015. pp. 203-204; Bryman & Bell, 2011. pp. 136-138). In order to prevent deception during the data collection several actions was taken. For instance, the purpose of the thesis was explained to the case object well before the process of data collection started. After initial discussions about potential research topics, a supervisor was assigned at the case object that in turn informed the CFO for approval.

3.10 Critical reflections about the selected method

It is important to critically reflect upon the chosen method in a thesis. No method is flawless, and by choosing qualitative method some shortcomings should be reflected upon. Qualitative method is rich of subjective perceptions and interpretations. These subjective perceptions take shape through out the thesis in different forms. For instance, in interviews the respondents’ answers are based on a subjective interpretation of reality. Furthermore a case study depicts a single case that cannot be separated from its context, which reduces the generalizability of the findings. Thus, the possibility to statistically compare the results is limited. If that is the goal, a quantitative study is better suited. However, we believe that in this case, the pros of conducting a qualitative study outweigh the cons. In order to achieve a deeper understanding about a specific phenomenon the characteristics of qualitative method is desirable. In this thesis, one of the authors could be said to have a set perception of reality, but to mend this the second author have had a more objective perception as a complement. As mentioned earlier, by conducting a single case study the result will be contextually dependent. Thus there might be a lack of generalizability for this study.
4.0 EMPIRICAL RESULTS
In this chapter, the empirical result is presented. The empirical results are based on interviews, analysis of documents as well as field notes taken during an internship at the case object. Furthermore, the initial six weeks of the thesis writing until the data collection was finished was spent full-time at the case object site.

4.1 CASE OBJECT 1
The case object for this thesis is a subsidiary site to a multinational corporation, located in Sweden. The subsidiary operates within the pharmaceutical industry and has approximately 500 employees, excluding consultants. The site in Sweden is a multifunctional site, meaning that they have their own production as well as several other functions, such as research & development, regulatory affairs, quality assurance, marketing, purchasing, finance, HR, legal, etc. The company was founded in the late 1980s and operated first independently, later became publicly traded and are now fully owned by a MNC. The change in ownership has affected how the firm conducts its business in several ways. The multinational owner have decided that the subsidiary need to align their current business processes with best practice processes that are prevailing within the rest of the MNC. Except for the subsidiary headquarters, the case object is the first of several sites to implement the best practices. The case object will also implement an ERP system used globally, to support these best practices. Thus, parent company best practices and standardized processes used globally will be implemented in the Swedish subsidiary. It is important to note that the main business within the MNC is another than the case object operates in. The MNC is mainly in consumer goods while the subsidiary organization is in the pharmaceutical industry. The aim is that all best practices shall be implemented in 2019 when the new ERP system is in place to support these practices. During 2018 a project team will work full time with technical alignment of the system. However, in 2017 the subsidiary started to align its business processes to the best practices of the MNC that are not dependent on the new ERP system. This was a way to prepare for the upcoming changes. The company conducted what they call early implementation activities, which are activities that aim at changing all processes and implementing best practices that can be done independent of system support. In the preceding chapters certain denominations will be used for the different actors referred to, see figure 4.

1 Information about the case object was collected from the company homepage however, the reference is not presented due to the anonymity of the case object.
The case object will be referred to as the case object, which is located in Sweden. Headquarters refers to the headquarters of the subsidiary organization, which is located abroad in Europe. The parent company is the overall MNC that owns the whole subsidiary organization. In figure 4 these relationships have been visualized to clarify the different actors and their relationships to each other.

4.2 GLOBAL INTEGRATION

The implementation of best practice during the pre-implementation phase of the ERP system was part of the global integration into the worldwide MNC (Document A, C & E). For instance, respondent E said:

“Since we all will have the same type of data in the system it’s very easy to create KPIs, since it will come automatically and you can compare the subsidiaries”.

Furthermore, there was a consensus among the respondents about how the ERP-system could facilitate global integration, which is different from when the MNC had no overall ERP system and all subsidiaries could run as they saw best fit (Respondent G). However, the ERP-system is only a technical implementation, the big change is the organizational change as well as changes in processes (Respondents A & B). The main component in the changes in processes is the implementation of best practices, which favors a common way of working
and thereby leads to global integration (Document A, E & G). This is supported by respondent G who stated that:

“You can imagine that we have a whole MNC, I mean 130 000 employees, and everyone is working in the same way. You can easily move people if you want to and if you are interested in that, to another market.”

Furthermore, respondent B describes the coordination within the MNC:

“We have two steering organs for our subsidiary. We are steered and coordinated, financially wise, from our headquarters, but they are then steered by our parent company.”

Respondent B also declared that the type of coordination with steering documentation and clear rules was a precondition for steering the company. When it came to the implementation of the best practices in the company during the pre-implementation phase of the ERP-system, coordination and control from the headquarters was seen as something good (Respondent B, D & E). Instead of every subsidiary deciding by themselves on what should be included and not they were given instructions. Even though these instructions were sometimes deficient.

4.4 KNOWLEDGE TRANSFER FACTORS
In this section different factors affecting the best practice transfer are presented based on the five different influencing factors identified from the literature review.

4.4.1 CONTEXTUAL
It was described by the respondents that a contextual factor was affecting the transfer of best practices from parent company to the case object. The best practices to be transferred to the subsidiary were developed by their parent company, operating in another industry than the subsidiary (Respondents A, B, C, E, F, & G). The parent company operates mainly in consumer goods, while the case object organization is in the pharmaceutical industry. Respondent A highlighted:

“Our business is very different compared with other products that the parent company usually produce. Their products are easier to produce than our products within the pharmaceutical industry. So it is a much more controlled phase where you need regulatory people and really good clinical trials.”

One of the main differences between the two industries is the required level of regulations and controls, which are higher in the pharmaceutical industry (Respondent B) Therefore
some of the best practices needed to be modified in order to fit with the pharmaceutical industry requirements (Field notes, Document A). For two years, the headquarter of the subsidiary worked with the parent company best practices and tried to see how well they fitted to the pharmaceutical industry (Respondents A, D & E). The case object had one representative sent to the subsidiary headquarter during two years to participate in the process of examining the fit between parent company best practice and the subsidiary industry (Respondents A, D & E). Respondent E, pointed out:

“So our parent company has, massive, overall created best practice way of working in every area. So what we did was more to see how they fitted to us... ...So we read those documents with the best practices and then if we saw that this is not pharmaceutical correct we had to change something”.

Thereby, the case objects headquarter worked on changing those best practices that were not applicable to the pharmaceutical industry (Document A & G). The fact that the parent company operates in another industry had consequences for the case object. Respondent C said:

“So of the best practices are very focused on the type of industry that is very common within the MNC. So for instance, when you talk about COGS calculation aspects, some is not applicable for us because we do not have that kind of business.”

Thereby, it is highlighted that all of the finance related best practices was not possible to implement. Furthermore, there is local laws that cannot be overlooked (Field notes). Respondent F emphasis that there can be pressure from the parent company to implement their best practices, while at the same time these practices are not applicable according to local laws. For instance, one example is made about different accounting standards. Even though it is pointed out as difficult to transfer some of the best practices originally developed for another industry, the general impression is that headquarters have done a good of going through the parent company best practices (Respondents A, D, E & F).

4.4.2 CULTURAL

Another theme that arises during the interviews that has affected the transfer process is the differences in culture between the parent company and the case object. On the question what the biggest challenge was during the implementation of parent company best practice, Respondent B answered:
“The change of mindset. Because you have to understand that this subsidiary is coming from being a very small company with entrepreneurs, and they are so good at finding solutions. And you still have that mindset, so of course you have a culture... I should not call it clash but still it will be hard to fit that into this big giant setup.”

The fact that the subsidiary is now part of a global MNC that is used to work in a different way is highlighted as a factor that impact the transfer of best practices. Respondent D addressed:

“Our parent company have a much stronger process culture so irrespective of the system the ways of working are more centrally defined... where as in our subsidiaries there has been an approach of more setting targets and objectives but the “how you do it” is something which is up to every local entity to organize and put hopefully robust processes in place to enable those objectives to be achieved.”

The fact that the parent company has a culture that is oriented towards working with standardized processes containing the best practices is highlighted by several respondents and also noted in field notes and documents. It appears that the parent company is working with the concept of end-to-end processes, which means that all processes are standardized from beginning to end, regardless of where in the organization it occurs (Respondent B, Field notes, Document A, B & E). One example that is often made by several respondents is the end-to-end process called purchase-to-pay. This process covers everything from when a purchasing need is recognized to the evaluation of the purchase after the payment is made to the supplier (Field notes, Document B & E). This process contains several different steps that each has their own best practice. It involves both the purchasing department and the finance department, responsible for different steps in the process. Before it is possible to move on to the next step in the process, the previous step must have been completed. It appears that it is a challenge for the case object to incorporate this way of working and that there is a cultural difference compared to the parent company, which have been working in this way during a long period of time. Respondent B stated:

Then you have the end-to-end processes to support the way. It is processes how to work, it really is an umbrella over the company, it is a culture almost.”

It became clear that the company was not used to work in this setting and that employees did not fully embrace this change (Respondent B, C, D, E, F, Internship Field Notes).
A recurring theme being brought up by several of the respondents during the interviews is the role of the parent company internal audit as a facilitator for the best practice transfer. Internal audits have been performed twice by the parent company and the latest one was performed during eight weeks in the first half of 2017 when several representatives from the parent company scrutinized the case object’s current practices and business processes. It is emphasized that this internal audit identified several gaps in the current practices compared to the best practices by the parent company. For example, Respondent A clarified:

“The parent company have their audit group which have been here twice and they were asking about the best practices. So when they were here the first time we had no clue what they were asking about... But now as we are coming closer to the parent company, we have understood that it is best practices and their culture, so the gap wasn’t as big, thanks to the parent company audit.”

It is described how the internal audit provided an opportunity for the subsidiary to learn more about the parent company best practices and their way of working (Field notes). Several respondents describe it as a positive factor for the subsidiary (Respondent A, B, E, F & Internship field notes). Respondent E claimed:

“We had the benefit of having a parent company initiated audit here last summer, and that helped this subsidiary to understand how it fit in to the future and why it makes sense to do the activities.”

Thus, one can note that the general perception is that the internal audit provided value to the case object in terms of preparing for the best practice transfer. One department had not been audited as thoroughly by the parent company before the best practice implementation, and was given extra support from the subsidiary headquarters to manage the implementation (Respondent E). The team at subsidiary headquarters had one representative visiting the case object regularly to help the department with the implementation (Respondent E).

4.4.3 ORGANIZATIONAL
One constraining factor for the transfer of best practices is related to the organizational structure at the subsidiary (Field notes). The parent company best practices will result in a new way of working that is more focused on closing risks compared to how the case object currently work. This will result in an increased number of required positions that the subsidiary need to have (Document B). Respondent E, described:
“There are some segregation of duties, so you have to make sure that these segregation of duty roles are followed. So that means that you have a minimum of people”.

It was highlighted that the current organizational structure is not yet set up to support all of the best practices (Respondent B, C, D & E). For example, Respondent B stated:

“It can be that you can’t go for the whole setup of best practices, because you don’t have enough people. Because the process is really narrow when it comes to what you are allowed to do.”

This shows that the case object was not able to fully implement the parent company best practices during the pre-implementation phase. Still, they tried to implement as much as possible of the best practices. However, some of the respondents reflected about what they thought was the negative side of the organizational requirements for some of the best practices. Respondent C said:

“When you talk about internal control aspects, like SOD (segregation of duty) aspects the parent company doesn’t care if you are a big company or if you are a small company. In a small company things can be very difficult to implement. So that’s the negative thing, it’s quite rigid and it is hard to adapt to, so it creates a lot of work for us.”

Besides the organizational structure being an obstacle for the case object when implementing parent company best practices, another influencing factor was related to deficit labor resources in some departments. The job of implementing the parent company best practices was added on top of each department’s regular workload (Respondent E). Due to this, the respondents expressed that some departments had difficulties to dedicate sufficient resources to the best practice implementation (Respondent B, E & F). This resulted in a delay of the implementation of some best practices in the end-to-end processes, due to other departments being forced to wait before being able to perform their part in the process (Field notes). Respondent B admitted:

“So there we had some issues in the end-to-end processes because the process goes into finance and into other departments and so on. And when you are not aligned in the organization you are not clicking to each other.”

Which also is in line with internship field notes. However, for the case object in general, the resource constraint seems not to have been a major issue. Respondent E, which was
responsible for reporting the overall progress of best practice implementation to the subsidiary headquarters noted:

“They didn’t get any extra resources for it so it was something that you should add on top of everything else. And I thought it would be a conflict of resources or difficulties. But we have had green all the time”.

4.4.4 Support
Support from headquarters was another subject that was brought up during the interviews as a factor affecting the best practice transfer. First off, the transfer processes started with subsidiary headquarter representatives coming to the case object (Document A, Respondents B & C). Respondent B declared:

“The team from headquarters came up to our subsidiary and kicked-off the early implementation activities, so they were here and presented and explained to us what it was and then they flew out again, and here we go”.

It is described by several of the respondents that they would have appreciated more support and better education from subsidiary headquarters during the initial phase (Respondents A, B, C, D, & F). Respondent B developed the reasoning:

“You should have started much more seriously to describe the end-to-end processes for us in this subsidiary and maybe more than just early implementation team. You should have done it broader, because then you had created an awareness within the organization for what is was.”

These negative aspects are being highlighted by those at the case object who were heavily involved in the transfer of best practices, who thought it was time consuming and hard to firstly grasp the implications of the best practices and then later inform and educate the rest of the organization without better support from subsidiary headquarters. Furthermore, it is also confirmed that more information and involvement of more people at an earlier stage could have helped in understanding the best practices and mediate to the organization (Respondents C & F). It is described that headquarters started to get involved later on in the transfer phase but more support was needed at an earlier stage. Respondent C claimed:

“If they had been more active in the beginning of the phase, I think the outcome had been better.”
However, there is also respondents stating that the case object should worked harder with changing some of the processes that could have been done without the support from the new ERP system. Besides more support at the initial stage, one respondent also reflected that it would have been better if headquarters had been actively participating and made decision on how to move forward. Respondent F expressed:

“Maybe it would have helped if someone coming in for headquarters, saying: Okay we have to do this like that. Because now everyone is just blaming everyone and we are actually not moving forward.”

Even though more support was wished for from the subsidiary headquarters, some respondents highlight the fact that they managed to establish a good connection with another Scandinavian subsidiary to the parent company as a positive enabler (Respondent B). This relationship made it possible for the case object to get information and know-how in how to use and interpret the best practices, even though the parent company subsidiary is not in the pharmaceutical industry.

Lastly, yet another factor affecting the best practice transfer is related to a sometimes-excessive work made by the case object in terms of implementing parent company best practices. Respondent G, who have been working for the parent company for a long time concluded that the case object in some cases had done a common mistake of being to eager to implement best practices before the new ERP system is in place to support the new ways of working. Respondent G told:

“The site here in Sweden have tried to implement best practices, but maybe they were a bit ambitious. They started some activities they could have waited with... So what they have tried to do now is something between, to start some legacy implementation, and this is a typical thing, there is no point to start until you have the tool.”

By that, some of the efforts by the case object lead to duplication of work, since some things need to be redone later on.

4.4.5 COMMUNICATION
For some best practice areas, such as travel and expenditures, subsidiary headquarters had not decided on which best practices to implement during the early implementation activities. This led to confusion among the managers at the case object. Respondent A highlighted this and declared:
“We had no best practices to read so that was quite confusing... We E-mailed them (subsidiary headquarters), didn’t get an answer and then after a month: Oh sorry but we have not decided yet. So we have been just waiting for information”.

This quote also highlights the importance of communication during the best practice transfer, both internally but also externally to the subsidiary headquarters. Some respondents painted the picture of problems with support from the subsidiary headquarters when the case object started implementing the best practices. However, respondent E had a different view on the matter:

“I would say everything is about communication. The times when I was involved, we have had a lot of support. I know that some people claim that it is difficult to get hold of people in headquarters and get their attention, but I think it’s sometimes more a bit of a communication issue. What kind of need you have and also how you approach headquarters.”

Thus, support was available if requested in the proper manner. Respondent E explained that the subsidiary headquarters communicate more face-to-face and not through emails. The communication factor mentioned by respondent E was also followed by an interpretation factor. Respondents described a time-consuming interpretation work (Respondents B & C). Both connected to incomplete best practices but also due to a lack of clear definitions regarding what was to be done by the subsidiary. Initially, some departments of the case object received more support than others from headquarters while others felt lost in the best practices they were given. Respondent A recalled:

“Me and ‘respondent B’ started to work with best practices related to another department as well, before we could step back and say, ‘Common this is not our job’”

This unclear definition regarding who was responsible for the implementation of the best practice was described as problematic (Respondents A, B & D). Furthermore, there were also issues in terms of interpreting what the best practices actually meant and a lack of sufficiently clear definitions. Respondent D explained:

“I think the headquarters sometimes did not necessarily anticipate what a big step and change some of these activities were for us, therefore although there was some documentation, there was still a little bit too much that was left open and in the end meant that we spent more time here thinking about how to interpret it and sometimes maybe going down
the wrong track before realizing perhaps we need to get some more input and come back on track.”.

Respondent D elaborates by stating that better communication between the case object and subsidiary headquarters could have helped overcome this trouble and that it was also up to them to push for that.
5.0 ANALYSIS
In this chapter, the empirical findings will be analyzed based on the conceptual framework presented in the theory chapter. In the first part of this chapter we analyze the reason why an MNC wants to implement best practices connected to global integration and coordination. In the second part we analyze the different factors from the conceptual framework. In the third part we consolidate the different factors and from an institutional perspective analyze the findings as a whole.

5.1 GLOBAL INTEGRATION
As stated earlier, MNCs are widespread organizations that operate in several countries and as a result distant relationships between the headquarters in the MNC and the subsidiaries occur (Dinur et al, 2009). The parent company have to decide on the degree of global integration, which can lead to the challenge of finding the optimum level of either using standardized practices throughout the MNC or if subsidiaries should be granted more freedom in operating (Dooms & van Oijen, 2008). We found in our case object that the parent company largely has disregarded the later option. The implementation of best practices in the case object tells the story of highly standardized operations and reporting systems. In the case object this increased coordination is described as a part of global integration into the overall MNC. Which is in line with Park & Mense-Petermann (2014) and Zeng et al (2018) findings that since the 80s many MNCs have worked to increase the cross-border integration of their worldwide activities. However, in regards to institutional theory one could say that the case object is trying to achieve internal legitimacy within the MNC by, as Kostova and Zaheer (1999) puts it, adapting to organizational policies, practices and structures. A reason for this could be that the case object wants to gain resources, in terms of knowledge from the MNC in the future, and in order to do so they need legitimacy from the other units of the MNC as well as the parent company (Kostova and Zaheer, 1999).

Bjerregaard et al, (2016) conclude that MNCs are under constant reconstruction as a result of the practice transfer since local actors within the subsidiaries strive for increased influence, resources and legitimacy.

Bartlett & Ghoshal (1989) states that one of the main advantages for MNC is their possibility to spread smart routines and ways of working throughout the organization. The implementation of the best practices could mean that the parent company wants the case object to achieve a long-term competitiveness according to Reilly et al (2012). One could
also say that striving for alignment with the parent company’s global strategy by implementing best practices, their internal legitimacy could be increased. If not there is a risk that the subsidiary starts chasing short-term benefits from independent initiatives (Reilly et al., 2012), and the case object might impair its legitimacy as well as the available knowledge instead. Potentially, if a subsidiary is acting independently, these actions might not benefit the MNC as a whole, the larger picture can be discarded. In our case object, this seems not to be the case, instead reality is much like Bjerregaard et al., (2016) portrays it. The case object appear to be striving for increased resources, influence and legitimacy through the transfer of knowledge.

According to Sageder & Feldbauer-Durstmüller (2018) it is still important that the MNC does not ignore for instance the host-country political and economical conditions. In our case object some of the best practices were not in accordance with the Swedish legislation, and therefore the best practices needed to be adjusted. This is an example of how global best practices does not apply everywhere. Either the parent company have to adapt the best practices to fit everywhere or, as in the example in our case object where the best practices have to be sacrificed for the host-country legislation. Hence, the host-country environment can impact the knowledge that can be transferred into the MNC.

5.2 KNOWLEDGE TRANSFER FACTORS
In this section five factors affecting the implementation of best practice presented in chapter 2 will be analyzed against the empirical findings presented in chapter 4.

5.2.1 CONTEXTUAL
One pitfall when transferring best practices within organizations is that managers tend to think that it is much easier than what it really is (Szulanski & Winter, 2002). There is a risk that managers get to overconfident about the degree of difficulty when it comes to transferring knowledge. This was supported by interviews made at the case object, where the level of enthusiasm about the implementation varied. The less enthusiasm could be because they simply did not understand why these best practices that was presented from headquarters was superior than their current ways of working, which is in line with Szulanski & Winter’s (2002) findings. This is related to the concept of causal ambiguity, which is the relationship between a practices input and output and how organizational members understand this. In relation to causal ambiguity one could say that there was partially a problem for all the respondents due to the best practices originating from a different industry and not sufficient
support from subsidiary headquarters was given. However, in general there was a high acceptance for the way of working that the best practices prescribed, derived from the consumer goods industry. This point at the best practices origin is a trustworthy source, namely the parent company. In line with Szulanski (1996) reasoning, if the best practice transfer is initiated by a trustworthy source, resistance can be avoided. Still, some challenges did arise, where managers at the case object didn’t understand the pros with the best practices and the implementation process got more complicated. This could potentially harm the case objects internal legitimacy within the MNC since they didn’t manage to adapt all the best practices. Another aspect highlighted by several respondents is the strict regulations in the pharmaceutical industry, which made some of the best practices impossible to implement, therefore it seems to be institutional distance between the two industries. For instance Dinur et al (2009) showed that contextual dissimilarities could inhibit the transfer of best practices. For the case object to gain external legitimacy, they have to adapt to these regulations in the pharmaceutical industry, however it could cost them some internal legitimacy since they cannot adapt fully to the global integration by ignoring some best practices.

5.2.2 CULTURAL
Differences in culture between sending and receiving organization when transferring knowledge should not be ignored according to Raval & Subramanian (2000). In the case object one of the respondents explained that they came from a small company set-up with a lot of entrepreneurial spirit and they now have to adapt to this large company way of working. This indicates that the case object had created an independent sub-culture within the MNC (Morgulis-Yakushev et al, 2017), which now has initiated to change in order to implement the process culture. The case object is now given clear instructions on how to work where as before there was goals that was set but how to achieve them were up to the case object to figure out themselves. One could then say that the case object had initially low legitimacy compared to other subsidiaries within the MNC since they had not adapted to the taken for granted belief system with strong process focused way of working, which exists in the rest of the MNC. By gaining legitimacy they have started to adapt to the granted belief system (Suchman, 1995). Since the headquarters as well as the parent company originates from a European country one cannot say that the cultural difference in geographical terms is large. However, due to the small company mindset in the case object one could say that there is a large cultural difference between the case object and the parent company in terms of perception and interpretation. In that respect, evidently there is institutional distance between
the case object and the parent company (Kostova, 1999). Where as now, they will have to adapt to the best practices created elsewhere to both run their business in Sweden and gain internal legitimacy within the MNC. At the same time Raval & Subramanian (2000) and Szulanski (1996) shows that even transferring best practices within the same industry can lead to different outcome than anticipated. In the case object’s situation there is two different industries that adds on to the complexity.

An interesting finding which we could not find any earlier theoretical support for in relation to best practice transfer is the role of internal audits from the parent company as a facilitator for the transfer of best practice. It is highlighted by several respondents that the internal audits performed by the parent company increased awareness about the parent company way of working and that the audit resulted in a better understanding for what a best practice is and what purpose it fills. As is described in the empirical findings, internal audits were performed two times by the parent company. It is emphasized that this internal audit identified several gaps in the current practices compared to the best practices by the parent company. Thus, it seems that the internal audit provided an opportunity for the case object to familiarize with the best practices from the parent company. Even if the internal audit is described as a tough trial for the case object, the general perception by the respondents is that it provides value. This important role of internal audits in terms of facilitating knowledge about best practice transfer is an interesting finding that requires more research within the field of knowledge transfer. At least from our search in the existing literature, there seems to be a call for more research regarding the impact on best practice transfer.

5.2.3 ORGANIZATIONAL
Theory suggests that the receiving subsidiary need to have sufficient routines in place in order to implement the transferred best practice (Szulanski, 1996). If it does not exist, the transfer often becomes problematic, which is also called “sticky”. The empirical findings suggest that the case object did not have an organizational structure that supported some of the best practice processes, resulting in insufficient routines that cannot incorporate all the transferred best practices. This is in line with the reasoning of Lupton & Beamish (2014) and Barlett & Ghoshal (1998). The case object has been successful in implementing many of the best practices that do not require any major changes to the current routines. However, some of the best practices that are part of the bigger end-to-end processes could not be implemented do to a lack of routine for handling this, thereby becoming “sticky” as is suggested by Szulanski (1996). Nonetheless, as Kostova & Zaheer (1999) puts it, it is likely
that the case object have increased its internal legitimacy by implementing even some of the best practices. If the organizational structure is adapted and additional best practices are implemented, legitimacy should be increased further.

O’Dell & Grayson (1998) state that organizations might be aware of the fact that current routines and practices are not satisfactory and that better practices exists, but the lack of resources or practical experience makes it impossible to implement. The constraints in resources seem to apply to the case object to some degree. In the major end-to-end processes, where several departments are involved and interlinked, the empirical findings makes it clear that some departments lack sufficient resources in terms of labor to be able to implement the best practices. The time-constraint makes it hard for these departments to spend sufficient time on implementing the best practices when it is described during the interviews that this work was put on top of their regular workload. By adopting the same best practices as the parent company, internal legitimacy can be achieved (Kostova, 1999). Furthermore, this can be a sign of commitment to the MNC. Potentially, a more time consuming implementation of the best practices could harm the parent company’s perception of the subsidiary’s commitment, hence weakening the internal legitimacy. The theoretical suggestion that resource constraints inhibits the transfers of best practice and makes it “sticky” can thereby be seen as confirmed (Szulanski, 1996 & O’Dell & Grayson, 1998).

5.2.4 SUPPORT
When knowledge is transferred in an MNC support is a precondition for the initiative to take place (Riege, 2007). We found at the case object that support from subsidiary headquarters had been weak. The respondents described a kick-off and a presentation about the best practices by the best practice team from subsidiary headquarters, but then they were left alone to figure out a lot by themselves. Hence, one could say that the team from subsidiary headquarters did not manage to set up a supportive climate that is important according to O’Dell & Grayson (1998). The lack of a supportive climate led to poor collaboration between headquarters and the case object, among case object managers. Moreover, as a result the respondents at the case object described a time consuming assignment with difficulties to grasp what was expected of them. The respondents describe that the best practice team could have stayed longer and given the team at the case object more guidance. Just as Ishihara & Zolkiewski (2017) findings indicate that weak networks between subsidiary and headquarters lead to ineffective knowledge transfer, our data points us in the same direction. More active participation along the whole best practice transfer could, both according to the respondents
and theory (Riege, 2007; Jarrar & Zairi, 2000) have improved the transfer process. One interesting finding is that one of the respondents stated that in some best practices the case object actually had done too much than was expected. Another respondent explained that they wanted to get as far as possible with the implementation but they understood at the same time that there is a risk that you do too much. With support from subsidiary headquarters this “over-work” could have been avoided.

5.2.5 COMMUNICATION

In order to transfer knowledge within an MNC some kind of communication has to take place (Liyanage et al, 2009). At the case object communication did take place but several of the respondents argued about the quality of the communication. Firstly, as Szulanski (1996) states, one significant barrier in knowledge transfer can be differences in the way you communicate. We found support for this at the case object and that a barrier for knowledge transfers did indeed occur. The use of email as the main communication tool at the case object in contrast to the personal communication at the subsidiary headquarters made some of the respondents feeling lost and confused about what was expected of them in the pre-implementation phase. One interesting finding here is that respondent E, who had been working at the subsidiary headquarters, could act as what Kogut & Zander (1992), calls boundary spanners. However, respondent E did not take part in the best practice transfer process at the case object from the beginning, which could have eased the communication between the case object and the subsidiary headquarters.

According to theory, further interactions between sender and receiver could ease this effect on the transfer process, and increased the understanding about the practices that are being transferred (Szulanski, Ringov & Jensen, 2016). At the case object only departments with limited resources received more interactions with subsidiary headquarters to begin with, for instance, one department had a manager from subsidiary headquarters visiting regularly to help out. Other departments however had to deal with communication channels they did not understood in the beginning, which made the interpretation activity time-consuming. This time consuming interpretation activity can also be connected to theory which states that knowledge has to be contextualized before the receiver can truly understand how to use the new knowledge (Liyanage et al, 2009). Several respondents pushed for this relation since there were problems initially with understanding the best practices and also whom they actually belonged to. Several respondents expressed that more initial support in the implementation would have been good. Potentially further initial support could have helped
the managers to understand how to use the new knowledge faster or as stated above conceptualize it.

5.3 Concluding Analysis

5.3.1 Parent Company

In an MNC conflicts between headquarters and subsidiaries may arise due to different institutional pressures from both the host-country environment and headquarters (Blazejewski & Becker-Ritterspach, 2011). Furthermore, subsidiaries seek both internal as well as external legitimacy (Geppert & Williams, 2006). By implementing knowledge from the parent company, in terms of best practices, the subsidiaries internal legitimacy can be increased. Hence, there seems to be a relationship between legitimacy and knowledge. Furthermore, in the case object, the quest for internal legitimacy is directly affected by cultural as well as contextual and organizational factors. In terms of cultural factors the respondents displayed a small company mindset at the case object, trying to adapt to a large company mindset with standardized ways of working that prevails in the parent company. This tells us that the case object is trying to gain internal legitimacy within the MNC, by adapting the practices and structures in the MNC (Kostova & Zaheer, 1999). This clash could result in different perceptions and interpretations, which could be the reason why some respondents spoke of different degrees of motivation to implement the best practices. One could then say that the new large company mindset has difficulties to breach the old small company mindset. Also, the level of adoption of practices is often dependent on the subjective perceptions on how well the practices conform to common values that exists within the organizational context (Lorsch, 2013). Even though the parent company is operating within another industry and therefore one could say institutional distance prevails, there is still a strive from the case object to implement parent company best practices since they in general are perceived to be relevant. Thus, the sender of the best practice can be seen as trustworthy, which ease the transfer process (Szulanski, 1996) and increase the strive for internal legitimacy by the case object. However, there are factors in their external environment that impact the level of adoption of best practices. The strict regulations in the pharmaceutical industry make some best practice impossible to implement, which can affect the internal legitimacy for the case object. Hence, there is a struggle between external and internal legitimacy in the knowledge transfer where the subsidiary is pulled between legitimacy in the local context and within the MNC (Geppert & Williams, 2006). In terms of the organizational factor, the case object had limited resource during the pre-implementation phase and an organizational structure that did
not support all the best practices. This became a hurdle for the subsidiary to implement all the best practices and could potentially have weakened the case objects internal legitimacy in the MNC. Therefore, we believe that contextual, cultural and organizational factors are directly affecting the internal legitimacy of subsidiary due to their connection to the parent company.

One interesting finding that had an impact on the best practice transfer during the ERP pre-implementation is the role of two parent company internal audits. The internal audit offered the case object an opportunity to get familiarized with the parent company best practices, thus eased the best practice transfer during the ERP pre-implementation phase. By that, one could argue that the internal audit was a facilitator to increase their internal legitimacy within the MNC, by later being able to implement and get access to parent company knowledge easier. Moreover, it is interesting to note that the department that was not audited the same way as the rest of the departments is described as having the most issues during the best practice transfer. One reason for this could be that their initial level of understanding for the parent company best practice was lower than the rest of the case object.

5.3.2 Subsidiary HQ

In order to mend the conflicts during the implementation of the best practices in the case object communication factors as well as support factors are important. One could say that the failure by the subsidiary headquarters to set up a supportive climate amplified the conflict. By failing to support, the communication and interpretation factors also suffered and we believe this is the reason why respondents described a time consuming task of trying to understand and orientate themselves in the best practices. The respondents had to figure out firstly, what was expected, secondly, how and what to implement, and lastly if it was even possible to implement before the ERP-system was in place. This potentially led to a slower implementation process of the best practices than necessary. We found that these problems however only have been connected to the internal transfer from the subsidiary headquarters to the case object. Hence, communication and support has only been identified as a problem in the relationship between the case object and the subsidiary headquarters. Therefore, since this relationship between the case object and the subsidiary headquarters is in the same company we argue that it is not a matter of seeking legitimacy. Nonetheless we believe these factors are important for a knowledge transfer, however, they do not affect the internal legitimacy directly like the three other factors. Communication and support is rather indirectly affecting the strive for internal legitimacy and knowledge implementation since both case object and subsidiary headquarters share the same internal legitimacy within the overall MNC.
**6.0 Conclusion**

This thesis shows that transfer of knowledge within global organizations is not an easy initiative. A case study was conducted to research knowledge transfer during a specific phase, namely during the pre-implementation phase of an ERP system. The research question for this thesis was:

- *How does legitimacy influence the knowledge transfer from a MNC to a subsidiary?*

A literature review helped us identify five factors that could affect the knowledge transfer, namely contextual, cultural, organizational, communication and support. Two of these factors, communication and support, were classified as indirect factors that were deficit between the case object and the subsidiary headquarters and had a negative impact on the knowledge transfer process. The other three factors, contextual, cultural and organizational, also affected the transfer process but were directly related to the parent company and their way of working, thus related to internal legitimacy for the case object. One interesting finding here is that despite the best practices originated from another industry, there was still a high level of acceptance and belief in these practices during the pre-implementation phase. Furthermore, this study contributes to the extension of the five knowledge transfer factors by including legitimacy on this process. In this thesis legitimacy has been shown to be important in regards to direct factors, more specifically in the relationship between the parent company and the case object. This has led us to the classification made in figure 5. Which portrays the grouping of indirect and direct factors.

<table>
<thead>
<tr>
<th>Legitimacy</th>
<th>Knowledge</th>
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<td>Contextual</td>
<td>Cultural</td>
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<td>Support</td>
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<td>Communication</td>
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*FIGURE 4: THE CONCLUDING RELATIONSHIP BETWEEN THE FACTORS AFFECTING THE KNOWLEDGE TRANSFER.*

Firstly, we conclude, that the direct factors are connected to the relationship between the case object and the parent company. On the other hand, the indirect factors are related to the relationship between the case object and the subsidiary headquarters, both belonging to the same subsidiary organization. We could also see that the indirect factors amplified the direct...
factors. For instance, poor support and deficit communication led to difficulties with interpreting the best practices. As a result of this, the case object could not get closer to the process culture that is the norm in the overall MNC. This in turn potentially inhibits increasing the internal legitimacy for the case object, and in the long run get further access to more knowledge.

Secondly, we conclude that legitimacy and knowledge are two important organizational resources that are connected to each other. On one hand, in order for a subsidiary to increase its internal legitimacy within the MNC it has to implement knowledge, for instance in terms of best practices. On the other hand, the subsidiary needs internal legitimacy to access knowledge from the MNC. This rather paradoxical relationship between the two resources indicates that the parent company has to initiate the transfer, and give the subsidiary a chance to increase its internal legitimacy. Hence, this relationship tells us, that if the knowledge is not implemented, internal legitimacy cannot be increased, which results in the importance of the transfer factors. This study shows that the five factors are important, and especially the amplifying effects of indirect factors on the direct factors in the transfer of knowledge for internal legitimacy to increase. Another contribution is the role of support and communication in the best practice transfer process within an MNC. Thus, this thesis makes contribution to the international business literature, and more specifically to the literature in the intersection between knowledge transfer and legitimacy within MNCs

Furthermore, an interesting finding is the facilitating role played by internal audits for the transfer of best practice transfer from parent company to subsidiary. Several respondents highlight that two internal audits performed before and during the pre-implementation phase increased the awareness of best practices and the parent company way of working. This eased the transfer of best practices to the case object.

6.1 Implications for Practitioners

The findings in this thesis show that best practice transfer within an MNC during an ERP pre-implementation phase should not be underestimated as an easy task. Especially the role of communication and support must be considered internally in order to not amplify the effects of direct factors such as cultural and contextual and ease the transfer process.
6.2 Further Research

This thesis is limited to the best practice transfer within the context of an ERP system pre-implementation phase. This means that all concerns regarding the final outcome, such as efficiency and flexibility, of the ERP-implementation was impossible to research. Therefore, we call for further research that examines the outcome of best practice transfer within the same context and the impact by our identified factors on the end-result. Also, we call for more research that connects the two important resources knowledge and legitimacy in MNCs. Finally, we found that internal audits had a positive affect on the transfer of knowledge. However, we could not find any theoretical support for this in the literature. Therefore, we encourage further research to look into the effect of internal audits on the knowledge transfer process.
7.0 REFERENCES


8.0 APPENDIX

8.1 INTERVIEW GUIDE

Introduction:

1. What is your role at the company and for how long have you been working within the organization?
2. What has your role been during the ERP pre-implementation phase?

Best practice transfer

1. Could you please explain what a best practice is?
2. What are the benefits with best practice?
3. In your opinion, are all best practices applicable globally?
4. What is the main challenge when working with best practices?
5. What is the main challenge when transferring best practices?
6. How have the best practices affected you here in Uppsala?
7. To what extent does your current processes match the best practice processes?
8. To what extent were you able to affect the design of the best practice processes?

HQ - Subsidiary relationship

1. What is the role of parent company and subsidiary HQ in terms of coordination and control?
2. How would you describe the relationship between you as a subsidiary and HQ (Both subsidiary HQ and parent company?)
3. If you could change all processes without HQ being involved, had you done it differently?

Preparation before ERP implementation (Pre-implementation phase)

1. How have you been working in order to prepare for the ERP implementation?
2. What did initiate the implementation of the ERP-system?
3. Could you please describe what an early implementation activity is and what the main benefits with EIA are in your opinion?
4. Are there any hurdles or issues that has occurred during the pre-implementation phase?
5. Are you satisfied with the outcome of the pre-implementation phase?
6. What role does HQ have in the outline of pre-implementation phase?
7. Where able to change implement all best practices during the preparation phase of the ERP system?
People

1. To what extent do you believe that people within the organization have knowledge about the reason for implementing best practice?
2. What was the biggest challenge for making the transfer of best practice accepted and understood within the organization?
3. What is your perception of employee attitudes and knowledge about best practices? And does it vary between departments?
4. How has the coordination been internally between different departments during the pre-implementation phase and have there been any issues? If so, why?

General questions

1. In hindsight, what is your perception of your work during 2017?
2. If you could redo the work during 2017 again, would you make anything different?