Learning from the world? Horizontal knowledge flows and geopolitics in international consulting firms

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Abstract

This paper examines the nature of the contemporary multinational corporation (MNC) through a study of the use of knowledge management systems (KMS) in four major international consulting firms. In particular, we explore whether and how such systems facilitate horizontal (inter-subsidiary) flows of knowledge, as described in the network view of the MNC. Our analysis reveals the presence of horizontal flows within the four firms, but flows that are contextually constrained and partly shaped by geopolitical power relations. Thus, our study gives some support to the image of the MNC as a network whilst also highlighting the contextual limits of horizontal knowledge transfer and, importantly, the geopolitical conditions under which such knowledge transfer takes place. At the same time, it challenges the claim that consulting firms are model organizations in the area of knowledge management as well as the more negative view that questions the ability of KMS to facilitate knowledge transfer.

Key words: Consulting, knowledge management systems, multinationals, professional service firms, geopolitics.

Introduction

An important underlying theme running through much of the international management (IM) literature since the mid-1980s is that competitive advantage for the modern MNC results from its ability to continually innovate by 'learning from the world' (Doz et al., 2001), i.e. by tapping into the local knowledge of foreign subsidiaries and leveraging it across the organization (see e.g. Bartlett and Ghoshal, 1989; Gupta and Govindarajan, 1991; Hedlund, 1986). Accordingly, the general view is that MNCs are, or should be, adopting a *network* form of organizing based on strong horizontal (inter-subsidiary) knowledge flows. This constitutes a radical departure from the traditional image of the MNC as a *hierarchy* in which knowledge generally flows vertically and unidirectionally from headquarters into subsidiaries.

Whilst becoming very influential in the IM field, this view is actually based on little concrete empirical evidence. The limited body of research that is empirical actually reveals significant contextual 'barriers' to horizontal knowledge transfer (e.g. Gupta and Govindarajan, 2000; Jensen and Szulanski, 2004). It also shows that the parent company remains the most important source of knowledge for the organization and continues (albeit under contextual constraints) to project its knowledge onto subsidiaries rather than learn from them (e.g. Almond and Ferner, 2006; Boussebaa and Morgan, 2008; Geppert and Williams, 2006). This suggests that the modern MNC's ability to 'learn from the world' may be limited in practice. In this article, we contribute to the discussion in two ways. Firstly, we turn our attention to a neglected category of MNCs – *global professional service firms* – that are often said to be highly dependent on subsidiary knowledge and which can therefore be expected to exhibit stronger horizontal flows than have been identified in other organizational settings. Secondly, we seek to locate intra-firm knowledge transfer activities within the wider *global geopolitical economy*, a context that has been largely left out of the discussion, but that can be expected to have an important impact on transfer processes and outcomes (Frenkel, 2008). Empirically, we achieve this through a qualitative study of the use of knowledge management systems (KMS) in the UK subsidiaries of four major international consulting firms.

We begin by elaborating on our theoretical background. Next, we describe our research setting and methodology. We then present our empirical analysis, demonstrating the presence of horizontal knowledge flows within the firms under study, but flows that are contextually constrained and partly shaped by geopolitical power relations. In the final section of the paper, we discuss the implications of our analysis before concluding briefly with some suggestions for future research.

Theoretical background

Knowledge transfer in MNCs

The argument that the contemporary MNC is, or should be able, to learn from different national contexts and diffuse that knowledge (e.g. 'best practices') throughout the organization has been well rehearsed in the IB literature (see e.g. Bartlett and Ghoshal, 1989; Doz et al., 2001; Gupta and Govindarajan, 1991; Hedlund, 1986; Nohria and Ghoshal, 1997). Inkpen and Ramaswamy's (2006: 7-8) summarize the basic idea as follows: "Firms must find and exploit valuable knowledge from inside and outside their organization in all the geographic markets in which the company operates. This means that all the units of the global firm should bear responsibility for finding and capturing new knowledge. In turn, headquarters must recognize that local knowledge bases within firms are real assets and knowledge transfer mechanisms must be built to ensure that local knowledge is not relegated to a peripheral role". In other words, the view is that MNCs can no longer continue to operate as *hierarchies* and behave like "imperialists, imposing the exploits of their homeland on malleable markets worldwide" (Doz et al., 2001: 3). To facilitate the continuous innovation that is necessary to stay ahead of the competition in the current period, they must instead become *networks*, in which the parent company is one source of knowledge among many, and enable knowledge to flow in multiple directions – not only up and down the (more or less flattened) hierarchy but also, and more importantly, horizontally between subsidiaries themselves.

However, as mentioned earlier, surprisingly little empirical research has been conducted on how *horizontal* knowledge transfer occurs in practice – the relevant literature is mostly conceptual and prescriptive rather than research-based and typically "assumes that [knowledge] can be transferred across contexts with relative ease and with little modification" (Westney, 1999: 70). The few empirical studies that are available on the subject (e.g. Gupta and Govindarajan, 2000; Jensen and Szulanski, 2004) highlight a variety of contextual 'barriers' to horizontal knowledge transfer (e.g. motivational deficiencies, lack of absorptive capacity, knowledge tacitness, social embeddedness), with knowledge 'hoarding' to protect individual interests being a particular problem (Cabrera et al., 2006). Gupta and Govindarajan (2000: 490) is, therefore, perhaps correct to conclude that "the parent corporation continues to serve as the most active creator and diffuser of knowledge within the corporation". Harzing and Noorderhaven (2006), who find significant horizontal knowledge flows, suggest otherwise but their study can be criticized for being based on low-response-rate (8%) survey questionnaires completed by 'high-level' subsidiary executives across a large sample of organizations. Whilst useful, this study tells us very little about the everyday realities of horizontal knowledge transfer and, in particular, the experiences of subsidiary employees operating lower down the hierarchy. Thus, on the whole, little evidence supports the view that subsidiaries have become major sources of knowledge for the MNC and, in particular, that their knowledge is being transferred horizontally (cf. Michailova and Mustaffa, 2012).

A similar conclusion can be drawn from the growing body of institutionalist research on the transfer of management (especially HRM) practices within MNCs (e.g. Almond and Ferner, 2006; Boussebaa and Morgan, 2008; Ferner et al., 2012; Ferner and Quintanilla, 1998; Geppert and Williams, 2006; Kostova and Roth, 2002; Tregaskis et al., 2010). This reveals that MNCs remain very dependent on home-country practices and often have little interest in learning from subsidiaries (see also Kristensen and Zeitlin, 2005), although a degree of 'reverse diffusion' is identified in some cases (see e.g. Edwards and Tempel, 2010). It also shows that centre-subsidiary "transfers are not always smooth and successful" (Kostova, 1999: 308) because practices are generally embedded in and reflect the institutional context in which they are produced, making their transfer difficult or 'sticky' (Szulanski, 1996); the receiving units may consider them to be incongruent with their local rationalities and therefore ignore, modify or simply pay lip service to them. This further highlights the contextual constraints on knowledge transfer and, in particular, suggests that horizontal knowledge flows may be far less common or perhaps more problematic than the network-oriented literature would have us believe.

Overall, then, few empirical studies support the argument that the modern MNC operates as a network characterized by strong horizontal knowledge flows (cf. . On the contrary, the context-sensitive literature discussed above suggests that it is more akin to a fragmented hierarchy in which the parent company, with varying degrees of success, continues to project its knowledge onto subsidiaries. In this article, we seek to advance the debate by addressing two significant shortcomings in the existing literature. Firstly, we focus attention on GPSFs (e.g. the 'Big Four' accountancies, international law firms and international consultancies), a category of MNCs that has been largely left out of the discussion (but see Boussebaa, 2009; Muzio and Faulconbridge, 2013). Given the apparent centrality of knowledge to these organizations (Alvesson, 2004), it is possible that they have been more successful in facilitating horizontal knowledge flows. More importantly, it is widely reported that, given the nature of their task (professional work), GPSFs tend to be highly distributed knowledge structures (Fenton and Pettigrew, 2000, 2003; Rose and Hinings, 1999) in which the source of knowledge "is not the headquarters of the firm, but the various affiliate companies around the world" (Moore and Birkinshaw, 1998: 82). If this is the case, then, it is indeed possible that this particular organizational context may be more conducive to horizontal knowledge transfer than the conventional MNC context.

Secondly, we seek to locate horizontal transfer in the wider *global geopolitical economy*, a context that is rarely, if at all, taken into account in the extant literature. The concept of 'dominance effects' (Smith and Meiskins, 1995) is often drawn upon to capture the impact of the world's hierarchy of nations on knowledge transfer but this leads to a somewhat a-political view in which dominated actors *willingly* absorb the knowledge of dominant actors on the assumption that it is superior – 'if it is American, it must be good!' (see e.g. Almond and Ferner, 2006). Missing from this view are the ways in which dominant actors, through their everyday knowledge transfer activities, (re-)produce (actively or passively) core-periphery relations of domination as a means of advancing their economic interests in the wider context of the world system (Wallerstein, 1978) and neo-imperialism (Harvey, 2003). In particular, little attention is given to the fact that intra-MNC knowledge transfer is increasingly a matter of relations between past (and present) imperial nations in the 'developed' world and ex-colonies in the 'developing' world (Molz et al., 2010), and that, as a result, it may be shaped by neo-colonial power relations (Frenkel, 2008; also Mir and Mir 2009).[i] If this was the case, then, it would mean that horizontal knowledge flows are indeed occurring inside MNCs, but under certain geopolitical conditions.

Our aim in this article is to begin to address these two weaknesses in the extant literature through a study of the use of KMS within international consulting firms. These GPSFs are "widely regarded as role models for companies in other industries" (Ambos and Schlegelmilch, 2009: 491) in the area of knowledge management (KM) and, indeed, often portrayed as exemplars of the network model more generally (see e.g. Ghoshal and Bartlett, 1997); they are thus an ideal empirical context for the present study. In the following section, we briefly discuss this context before explaining our specific focus on KMS.

Knowledge transfer in international consultancies

As mentioned above, international consultancies are often depicted as network-like organizations with strong cross-national learning and knowledge transfer capabilities. Indeed, the firms themselves often portray themselves in such a way on their websites or own publications. *McKinsey & Company*, for instance, claimed over 30 years ago that they:

> "think in worldwide terms, not as an American firm with management knowledge that other countries want. Although American management know-how still feeds a strong stream into our collective thinking, we draw on management thought from other countries […] we bring

to each client the viewpoints of other nationalities and the best management practices of all countries" (Bower, 1979: 117).

Particularly important for consulting firms is said to be the ability to identify 'best practices' from completed client projects around the world and to diffuse that knowledge throughout the organization; the rationale being that it allows consultants and, by implication, the firms to continually improve their effectiveness and innovativeness (Løwendahl, 2000).[iii] The relevant literature shows that the firms have developed various mechanisms for identifying, developing and diffusing best practices, including centres of excellence, transnational teams, training centres and networking events (see Fenton and Pettigrew, 2000; Jones, 2003; Moore and Birkinshaw, 1998; Roberts, 1998).

In this article, we focus on KMS, which are widely used in consulting firms (Werr, 2012) and, indeed, PSFs more generally (see e.g. Brivot, 2012; Criscuolo et al., 2007). These are typically designed to facilitate knowledge (best practice) transfer through what is known as a 'people-to-documents' approach, whereby knowledge is "extracted from the person who developed it, made independent of that person, and reused for various purposes" (Hansen et al., 1999: 108). KMS are thus largely restricted to 'explicit' knowledge and as such can be criticized for their inability to capture 'tacit' and, indeed, context-specific knowledge (Morris, 2001). Moreover, KMS have been shown to suffer from several additional problems (see e.g. Ambos and Schlegelmilch, 2009; Donnelly, 2008; Paik and Choi, 2005; Reihlen and Ringberg, 2006). For instance, it is widely reported that consultants lack the time and motivation to make their project-related knowledge available on KMS or that they frequently retain ('hoard') valuable knowledge for personal (career) gain. Such problems suggest that some scepticism might be warranted in terms of the capacity of KMS to facilitate horizontal knowledge transfer within international consultancies.

That said, the wide scope and persistence of KMS and, indeed, the heavy investments made by firms in developing and managing them (see Werr, 2012) suggests that they may still be of some value or that they are put to informal or alternative uses. Indeed, one study mentions in passing how consultants appeared to be using project reports available on the KMS "as an extension of expert directories or yellow pages in order to provide an idea of who has worked on a project and can be approached" (Ambos and Schlegelmilch, 2009: 497; see also Criscuolo et al., 2007). This was not pursued further in the study, but suggests that some horizontal knowledge transfer may be occurring through direct staff communication and interaction that is *facilitated through* KMS. In this article, we explore how this might be the case in practice and under what kind of geopolitical conditions. We describe our research methodology in the next section.

Research methods

This article is based on a wider qualitative study of global control and coordination in four of the world's largest and most successful international consulting firms (see Boussebaa, 2009; Boussebaa et al., 2012). Each firm provided a range of services, including management consulting, technology consulting and outsourcing services. One of the four firms also offered financial advisory services. They all served governments and corporate clients in multiple industries (e.g. automotive, banking and finance, consumer products, information and communications technology). At the time of our study (2005-9), each firm employed tens of thousands of staff spread around the world. Two of the firms were American by origin; one continental-European, albeit with a significant US presence due to the firm's merger with a major Anglo-American management consultancy; and one a federation of more or less independent national partnerships, although also with a strong American influence due to the size and historical significance of the US partnership. (More precise details are not provided in order to protect the firms' anonymity).

As is typical of large consultancies, each of our firms had made substantial investments in KMS. Through interviews with consultants based in the UK subsidiaries of the four firms, we sought to understand the ways and conditions under which these systems facilitated (or not) horizontal knowledge transfer. We considered the UK context an appropriate choice because the UK subsidiaries of international consultancies appeared to be highly involved in global KM activities, as evidenced by their websites and prior research (see e.g. Ambos and Schlegelmilch, 2009; Fenton and Pettigrew, 2000). The UK context was also useful for our purpose because consulting as a 'profession', whilst dominated by the USA, is for historical reasons strongly rooted in the UK (a former colonial power and presently one of the world's biggest economies), with most other consulting markets being much smaller (Gross and Poor, 2008; International Financial Services, 2005). As such, this context represented an ideal setting in which to explore the potential influence of geopolitical power relations on knowledge transfer.

Given the particular difficulties of gaining research access to consulting firms (see Sturdy et al., 2009), the bulk of the data was obtained via interviews and the participants were selected according to a snowball sampling technique. The first author conducted a total of 61 face-to-face interviews with employees occupying positions in the management and technology consulting divisions of the four firms. The interviews were semi-structured, lasted between 45 minutes and 1-½ hours, and their focus was twofold. First, the participants were asked to briefly describe the KMS utilized within their firm and, in particular, how they were meant to use these to obtain and share knowledge internationally. Second, they were invited to discuss their personal experiences of these systems, including what they perceived to be their benefits and challenges. Two participants provided brief demonstrations, allowing the first author to directly see how the KMS looked and worked. This author also participated in a week-long training programme at one of the firms' global training centres, time during which he had full access to the organization's KMS.

In order to obtain a wide view of knowledge transfer within the firms, the first author interviewed at multiple career levels (Consultant, Manager, Partner – see Table 1). In particular, he was very conscious of the need to avoid collecting idealized accounts about the firms' KMS and used the interviews in ways that allowed him to probe deeply into the knowledge transfer experiences of the research participants. For example, to question Partners' sometimes overly positive statements, he often used comments by Managers and Consultants about the everyday challenges involved in transmitting and obtaining knowledge from peer subsidiaries. At the same time, in seeking some balance, he also sought to reveal positive features, especially from those respondents who were most critical.

Insert Table 1 about here

The data was analysed as follows. First, we transcribed the interviews *verbatim* and read the transcripts to get a 'feel' for the content. Next, we entered the transcripts into the qualitative data management software package QSR NVivo® and indexed them by case and interview number. Mobilizing a mixture of 'induction' and 'deduction' (Langley, 1999), we then coded each transcript through both 'tree nodes', which brought together 'chunks' of data that related to pre-defined themes established through our literature review (e.g. horizontal transfer, contextual constraints, geopolitics), and 'free nodes', which linked data segments related to unexpected themes emerging from the data (e.g. KMS as 'advertising boards', see below). Through multiple iterations between the data and pre-existing theory, we gradually integrated the tree nodes and free nodes and generated what we considered to be the most convincing interpretation of our findings. Despite some obvious limitations, such as a single geographical location (the UK) and a high level of reliance on interview (and some observation and documentary) sources, the data collected provides an unusual opportunity to understand something of the experience of 'horizontal' knowledge transfer inside international consulting firms.

In what follows, we present our findings. For confidentiality reasons, identifying information is disguised. The four firms are referred to as A-Firm, B-Firm, C-Firm and D-Firm and each research participant is identified by way of the letter 'C' and a number of 1 to 15 (A-Firm), 1 to 14 (B-Firm) and 1 to 16 (C-Firm and D-Firm) (representing the number of interviewees in each firm).

Findings

The KMS used by the four firms were very similar and appeared typical of those used in large consulting firms in terms of content and functionality (see Ambos and Schlegelmilch, 2009; Morris, 2001; Reihlen and Ringberg, 2006; Werr and Stjernberg, 2003). They housed numerous knowledge 'objects' including articles, industry analyses and training materials. Of particular importance, and our focus here, were the details related to client projects (e.g. requests for proposals, delivery methods, presentation slides, reports and summaries). These could be identified and retrieved by staff around the world seeking out already existing relevant materials, solutions/methods and individual expertise to win and deliver new projects without starting afresh. As one consultant explained:

> It [the KMS] is basically like a massive database. What happens is, generally, at the end of projects people will put stuff on the knowledge database… You normally have a header form which will say what the work is all about; you submit that and you submit attachments for that, so final reports basically. And then what you can do is do a search on it and it searches for those forms and then out pops a load of searches from around the world. So it is just like Google really, just within [A-Firm]. (C10, A-Firm)

The KMS were managed by dedicated KM staff. In C-Firm, teams of KM staff were typically based in national offices to manage knowledge locally. Global knowledge managers coordinated their efforts and led global KM initiatives. In contrast, A-Firm, B-Firm and D-firm were increasingly removing KM responsibilities from the national offices and outsourcing them to offices based in low-cost countries such as India. In keeping with the findings of other studies (Ambos and Schlegelmilch, 2009), all four firms actively encouraged their staff to use the KMS and generally made knowledge contributions mandatory and part of consultants' formal performance appraisal and personal development:

> Most people have a PDP [Personal Development Plan] objective that says 'I will submit 2 or 5 knowledge objects into the database per year', which is a considerable number when you've multiplied that by the number of employees. (C1, D-Firm)

In the following three sections, we examine how these systems worked in practice from the perspective of our interviewees. In particular, we explore how the KMS enabled these employees to obtain knowledge from, and transmit their own knowledge to, colleagues based in overseas offices, and under what conditions.

Horizontal knowledge transfer

The interviews revealed a surprising level of interest in horizontal knowledge transfer and the KMS as a means by which to facilitate it. The general view was that inter-office knowledge exchange helped save time and resources that would otherwise be spent on 'reinventing the wheel' and facilitated access to far greater insights than domestic knowledge centres or personal networks could offer. Some interviewees also presented the ability to access knowledge from around the world as an integral part of serving multinational clients:

> Our credentials span across boundaries. So, for example, in approaching a multinational client, we will use credentials of where we delivered successfully a piece of work in other countries as a way of winning their piece of work because we have done it. We do work as a global firm. (C11, B-Firm)

Further, the interviewees gave no sense that the KMS were being implemented and imposed by a distant headquarters or that such systems were facilitating a unidirectional transfer of knowledge from headquarters into subsidiaries. Indeed, the teams that managed the KMS and related activities were increasingly transnational in scope. In the case of B-Firm, for instance, KM activities were managed by an Indian employee based in India and support group consisting of a German, a Belgian, two Indians and a Swiss, who were all based in their respective countries, but also part of the same transnational team. Moreover, a global knowledge leader, who was a German citizen based in Shanghai, was responsible for overseeing global KM activities.

This account is very much in keeping with the image of the MNC as a network and, in particular, the idea of horizontal knowledge transfer outlined earlier. Part of our empirical material thus lends support to the network-oriented perspective. That said, scratching below the surface revealed a far more complicated reality, which we discuss in the next two sections.

Constraints on knowledge transfer

Subsidiary support for horizontal knowledge transfer and KMS was tempered somewhat by a range of reported problems, many of which echo those found in other studies on the use of KMS (e.g. Ambos and Schlegelmilch, 2009; Donnelly, 2008; Morris, 2001; Reihlen and Ringberg, 2006). Some problems related to the KMS themselves. For instance, our interviewees commented that using these systems led to 'information overload' due to the vast quantity of data available on them; that searching the systems was much like 'sifting through a rubbish dump for slivers of gold'; and that there was a general delay in gaining access to details on innovative (confidential) projects. Other problems were more to do consultants' need to retain control over their knowledge and, hence, lack of motivation to share it via the KMS. As one consultant put it:

> Why should I do that [share my knowledge]? That is my intellectual property. I slaved my guts out to do that and somebody else is then going to pick that up and get all the recognition. (C8, B-Firm)

In addition to such sentiments and in keeping with findings of studies of consulting in large firms generally (e.g. O'Mahoney, 2011), the interviewees reported that there was insufficient time and incentive to summarize, package and deposit their project experience into the KMS. The rules of the game were clear: to progress in their careers, consultants had to maximize their 'utilization' on 'billable work', i.e. client project work. Any time spent on capturing and sharing the experience gained from this work was in effect time expended on 'non-billable' work and, hence, generally frowned upon (informally, at least).

Other problems revealed more about specifically cross-cultural issues and the socially embedded nature of much useful knowledge. For example, even within the constraints of a reliance on explicit knowledge, the project-related information that was available in the KMS was often seen as alien.

> There is a remoteness to it and, even if you see the documentation in the library, one has a tendency to dismiss it for being not relevant without necessarily looking at it. (C12, D-Firm)

This was compounded by language differences. Our interviewees reported that although English was officially the lingua franca in each firm, fluency in this language and, as a result, the quality of knowledge contributions varied greatly across offices. They also highlighted a tendency among some consultants in non-native English speaking offices to write project materials in their own local languages, thereby making their work of little use to the UK consultants, few of whom happened to speak foreign languages. This not only added to the disincentives of using the KMS, but, was also seen to affect quality. Indeed, and as we shall see in more detail, aside from the language issues, the interviewees tended to consider their own knowledge as being of superior quality. Knowledge from overseas offices was often de-valued – 'not invented here' – and, when utilized at all, considered as a starting point at best, rather than something which could be directly usable:

> I have read what our French colleagues have done and I just don't think that's quite appropriate for an English client, as in if I was the client in front of you and you are asking me to pay you £7,000 per day I would expect you to say 'on your bike, son'[iv]. So I need to then take what they have done and probably add to it and build it myself. But it's ok because it is a starting point. (C8, B-Firm)

Overall, such problems often led to a familiar preference for consultants to use their immediate 'local' networks and, when these were not sufficient, one of a number of semi-formal knowledge 'communities' based around either client sectors and/or service types (see also e.g. Ambos and Schlegelmilch, 2009). This, combined with the problems identified, meant that the firms under study were more akin to fragmented networks than integrated ones, with horizontal knowledge flows being significantly limited by various contextual constraints. Thus, part of our findings provides support to the core argument found in the context-sensitive literature that knowledge is 'socially embedded', 'sticky' and, therefore, difficult to transfer across different contexts. That said, in spite of this ‘barrier’, we found that the KMS were not entirely useless, as we explain in the next section.

Geopolitics of knowledge transfer

Whilst identifying a range of issues that prevented the effective use of the KMS, our interviews also revealed that these systems were, paradoxically, still useful in facilitating horizontal knowledge flows, albeit under certain geopolitical conditions. We found that consultants used the KMS not so much to obtain *knowledge* but rather to identify relevant *sources* of knowledge (i.e. individuals with the right expertise) and to *promote* their own knowledge throughout the organization. Each time they finished a project, consultants or teams of consultants posted a written case on the KMS, often no more than a few pages long, outlining the project and client and generally emphasizing the innovative or ‘leading edge’ nature of the work. Such postings were themselves of little value since they were written in a way that hinted at, rather than revealed, valuable information or expertise, much as consulting pitches and reports to clients might conceal more than they reveal (Pinault, 2001). Rather, their purpose was to attract the attention of overseas offices, as the following example highlights:

> When people find it [one’s posting] they look at it and give that person [the author] a call, and say “I am from [B-Firm] in India and I have seen this thing that you posted on [KMS] about this subject. Do you have anything newer? Can you tell me more about what you guys did on this project? I have got an opportunity here”. (C6, B-Firm)

The KMS were thus a useful means by which consultants could *advertise* their knowledge on a worldwide basis, and our interviewees explained that they took this work seriously. However, the reason for doing so was not merely to stimulate inter-office contact and lead to more extensive knowledge sharing by phone or other means of communication. As discussed in the previous section, the consultants we interviewed had little interest in sharing their knowledge *gratis*. Rather, the goal often was to try get involved in the delivery of consulting projects run by overseas offices as a means by which to increase their domestic 'billable work'. As one senior consultant explained:

> I see it [KMS] really as an advertisement board. And I posted some stuff up just the other week and I was trying to set a balance between giving people something that looks interesting to attract their attention, but enough to hook them and reel them in so that they call us. So we're giving them something but we're not giving away the family silver, which, yes, it's selfish but, from a corporate point of view, it's better if the *specialists* do the work. (C9, D-Firm, emphasis added)

Here, it is useful to note that the consultants we interviewed – especially those higher up the corporate ladder – very much saw themselves as a key source of knowledge for their firm, as *specialists* that colleagues based in overseas offices would call upon to deliver their own projects. They acknowledged that 'specialists' could also be found in some overseas offices but the offices they referred to were merely those based in the biggest consulting markets (i.e. USA, Germany and, to a lesser extent, France, Italy and Spain), i.e. a handful of 'core' Western offices. Indeed, whilst providing several examples of them inviting staff from these core offices (especially US offices) to work on UK-managed projects, not one of our interviewees was able to provide a concrete example in which they drew on specialists based in 'peripheral' offices.

When prompted to explain this, the interviewees typically replied that expertise was 'not there'. They tended to see peripheral offices, especially those based in 'emerging' markets, as lacking the ‘right skills’, as suffering from a ‘talent shortage’, even though some of these units were based in ‘rising powers’ such as China and India. Indeed, it was also pointed out that peripheral offices employed many Western expatriates (short- and long-term) whose function was partly to grow and transfer knowledge to such units; there was thus little point in seeking to transfer knowledge in the opposite direction. Thus, our interviewees depicted core offices as ‘sources’ of expertise and hence units from which to learn and import (buy) knowledge whilst portraying peripheral offices as ‘recipients’ of know-how and hence units to transfer (sell) knowledge to rather than to learn from.

This is not to suggest that the UK offices never drew on the staff pools of peripheral offices. The interviewees in fact explained that they often did so – but not for the purpose of sourcing consulting *expertise*. We found that the UK offices often requested the assistance of consultants from peripheral offices when delivering multi-national client projects in emerging economies. The fact that many of these offices were located in countries characterized by very different cultural, economic, political and regulatory conditions (e.g. China) meant that the British often brought into their teams local consultants whose function was to act as intermediaries and translators – a phenomenon not dissimilar to the practice of using indigenous elites as a bridge between the ‘natives’ and the ‘sahibs’ during colonial times.

Further, we found that the UK offices also drew on consultants based in peripheral nations as means of obtaining ‘cheap resources’ for their domestic (local or multinational) projects. Here, it is important to note that the rate at which consultants were charged to clients varied markedly across countries (see also Boussebaa, 2009). Thus, whilst a UK consultant could be charged at, say, £5,000 a day, the same could not be said of a Slovenian or an Egyptian consultant. Prices negotiated with clients would be based mainly on the costs of employing UK consultants to do the job. If consultants from peripheral markets could be used instead, this could cheapen the overall cost of the project and therefore increase the margin for the UK arm of the business as the lending office would only be remunerated at or around its local cost. This difference made the use of consultants based in peripheral (especially 'emerging') markets potentially an extremely lucrative proposition for the UK offices (though, clearly, the process had to be carefully managed in order to meet client expectations). As one Senior Manager explained:

> Resources are much, much cheaper in the developing world. You can buy a whole team for a lot less than what'd you pay here for one single resource (person). So if I have a project and can use these resources then I'll do so because their salary rates would be so low and I could bill them out at 8, 9, £10,000 a week. (C8, C-Firm)

Taken together, these observations reveal an aspect of intra-MNC knowledge transfer that is rarely, if at all, discussed in network-oriented and context-sensitive analyses, namely processes of domination and exploitation and their roots in neo-imperial power relations between core nations in the 'West' and peripheral countries in the 'Rest'.

Discussion and conclusion

In this article, we examined the nature of the modern MNC through a study of the use of KMS in the UK subsidiaries of four major international consulting firms. In particular, we explored whether and how such systems facilitate horizontal flows of knowledge, as described in the network view the MNC (e.g. Bartlett and Ghoshal, 1989; Doz et al., 2001). Our analysis revealed the presence of horizontal flows within the four firms, but flows that were limited by various contextual constraints and that partly shaped by geopolitical power relations.

What do these findings mean for our understanding of the modern MNC? Can this organizational form be understood as a network based on strong horizontal knowledge flows and, by implication, as an entity that innovate by ‘learning from the world’, to use Doz et al.’s (2001) phrase? At one level, the answer is positive in the sense that our study shows that knowledge in MNCs does not simply flow unidirectionally from headquarters into subsidiaries; it also flows laterally between subsidiaries themselves. Key to understanding this in our case appears to be the nature of the ‘professional’ task, which calls for an organizational structure in which knowledge is highly distributed geographically. This, in turn, means that subsidiaries – in the UK at least – are themselves a source of knowledge for the rest of the firm (cf. Moore and Birkinshaw, 1998). In this sense, our study lends some support to the network model of the MNC (Bartlett and Ghoshal, 1989; Doz et al., 2001) and, in particular, the few empirical studies that identify horizontal knowledge transfers as a significant feature of the modern MNC (e.g. Harzing and Noorderhaven, 2006).

However, to simply stop here would be to provide a partial view of the modern MNC. Our findings also show that the ability of MNCs to operate as integrated networks and, in particular, to facilitate horizontal knowledge flows is undermined by various contextual factors, including cultural and linguistic differences that are unlikely to disappear in the near future. In this sense, our study also lends some support to context-sensitive studies, although our analysis shows that the problem articulates itself along not only the vertical (centre-subsidiary) axis, as much of the relevant literature shows, but also the horizontal (inter-subsidiary) one. Thus, context-sensitive studies, which remain almost exclusively concerned with centre-subsidiary relations, would benefit from making horizontal knowledge transfers a major aspect of their analysis (see also Boussebaa, 2009; Michailova and Mustaffa, 2012). The same can be said in relation to the newly emerging body of context-sensitive research on GPSFs (e.g. Muzio and Faulconbridge, 2013), the focus of which has thus far been entirely on vertical knowledge transfers.

Last, and more importantly, our analysis shows that, beyond contextual constraints, the modern MNC and its ability to 'learn from the world' is also shaped by the wider global geopolitical economy. More specifically, it shows how 'core' subsidiary actors, i.e. units based in the largest consulting markets (in our case, UK units), recognize the importance of, and actively seek to engage in, knowledge transfer but, at the same time, portray *their* own expertise as the knowledge most worth diffusing. 'Peripheral' subsidiaries, i.e. units based in small consulting markets, are depicted as lacking skill and expertise and thus treated more as recipients than sources of knowledge. This process, in turn, serves to legitimize and naturalize exploitative 'economic' practices, allowing core actors to maximize their own profit by extracting value from peripheral ones. This entails, on the one hand, utilizing low-cost labour from the periphery (especially emerging markets) on domestic (local or global) projects and, on the other hand, allocating high-cost 'experts' from the core to the projects of peripheral units. In all these regards, therefore, MNCs – at least international consultancies – are better understood as neo-imperial structures, embodying as they do two crucial dynamics that characterized the era of Westerns imperialism and colonialism: the cultural denigration and economic exploitation of those based in the non-West. Our study therefore reinforces recent calls by organization studies scholars to bring geopolitical power relations into the study of intra-MNC knowledge transfer

(Frenkel, 2008; Mir and Mir, 2009; also Becker-Ritterspach and Raaijmann, 2013) and MNC management more generally (Boussebaa et al., 2012). The fact that most of the world's largest MNCs are headquartered in former imperial nations (e.g. Britain and France) or new imperial countries (e.g. the USA) and that a growing number of their subsidiaries are based in 'developing' economies (Molz et al., 2010) makes the need to turn attention to the geopolitics of intra-MNC knowledge transfer even more pressing.

Overall then, our analysis demonstrates that the contemporary MNC cannot simply be seen as an integrated network in which knowledge flow is multi-directional, but nor can it be merely be understood as a fragmented hierarchy in which knowledge mostly flows from the centre into more or less receptive subsidiaries. Rather, our analysis reveals that the MNC as an organizational form is better understood as a neo-imperial space, in which core actors (i.e. those based in the largest Western economies) seek to enhance (actively or passively) their wealth and power by simultaneously denigrating and exploiting peripheral actors (i.e. those located in smaller Western economies and, more significantly, 'developing' nations).

At the same time, our study offers a contribution to related debates about KMS in consultancy and more generally. In particular, we help to explain, in part, why systems which have been widely critiqued as problematic, persist within MNCs and are even considered valuable by users (cf. Donnelly, 2008). In what has only been hinted at in other studies, we have shown how KMS are used by dominant Western subsidiary actors as 'advertisement boards' with a view to getting involved in the projects of, and thereby securing 'billable' work from, subaltern subsidiaries. That is, far from being useless, KMS work in ways that help core Western actors promote and 'sell' their knowledge to peripheral subsidiaries based in small Western economies and in the non-West. In this sense, KMS serve to (re-)produce neo-imperial relations within the MNC and, by implication, the wider global geopolitical economy.

There is considerable scope to build upon the research reported here and its contributions to the debate on intra-MNC knowledge transfer. Firstly, given that our study was limited by its focus on one national context, international comparative research on the dynamics of horizontal knowledge transfer is required. In particular, the role of geopolitical power relations needs to be explored more fully, across different sites and especially from the perspective of 'peripheral' actors. Changes in the structure of the global geopolitical economy also need to be considered. For instance, some 'peripheral' nations have now become 'rising powers' (e.g. China, Brazil and India); how are such changes affecting the internal hierarchy (formal and informal) of the MNC and, in turn, knowledge flows within it? Secondly, cross-sector comparative research is required. For instance, how far do the geopolitical dynamics observed in our study apply to MNCs in other sectors such as manufacturing and retailing? Comparative studies across different types of PSFs are also needed, especially given the heterogeneity that exists within the professional services sector (see Malhotra and Morris, 2009; von Nordenflycht, 2010). Finally, since our study focused on KMS, research on other knowledge transfer mechanisms such transnational teams and centres of excellence is required.

The possibilities for research are many given the paucity of studies investigating how MNCs, especially professional service MNCs such as the ones we have examined here, 'learn from the world' in practice. Our study suggests that, at the very least, more research is needed on how MNCs facilitate *horizontal* knowledge flows and, in particular, on the *geopolitics* shaping such flows.

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Table 1: Case-study firms and interviewees by hierarchical level

Group	**Career level**	**A-Firm**	**B-Firm**	**C-Firm**	**D-Firm**	Total
Partner	Partner	4	4	5	3	16
Manager	Associate Partner Senior Manager Manager	8	7	7	8	30
Consultant	Senior Consultant Consultant Analyst	3	3	4	5	15
	Total	15	14	16	16	61

[i] Frenkel (2008) reminds us of the importance of retaining the 'First-World/Third-World' (as opposed to 'developed/developing') terminology in order to avoid the 'modernization' assumption underpinning much of the IM literature. She suggests employing the term 'First-World' to refer to the part of the world that is "rich, influential, and composed mostly of countries with a European majority or former colonial powers" (p. 924) and the

term ‘Third-World’ to refer to “countries characterized by a non-European majority, most of which were subjected to colonial rule” (p. 924). Whilst we appreciate this definition and very much agree with the need to problematize modernization theory, we feel the ‘First-World/Third-World’ dichotomy is also inadequate given that it does not accurately reflect the socio-economic and political geography of the modern world and its continually changing character. For these reasons, we prefer to use the ‘core-periphery’ terminology (Wallerstein, 1978), which is of course also too simplistic but nevertheless allows to retain an element of differentiation between rich/powerful nations and the rest of the world without depicting all of the former as necessarily Western/imperial and all of the latter as necessarily Eastern/ex-colonised. Many Western nations are not so wealthy/influential and, indeed, as we shall see in this paper, are more peripheral than core actors in the world economy. Equally, it is becoming increasingly difficult to classify fast-growing, ‘rising powers’ such as Brazil, China and India or indeed the Gulf States (e.g. Kuwait, Qatar and the UAE) as part of the ‘Third-World’. Further, we believe the core-periphery divide is particularly useful for our purpose because the global consulting market is clearly divided between a handful of core Western nations (USA followed by Germany and the UK and, to a lesser extent France, Italy and Spain) and the rest of the world, which includes not only the non-West but also small European nations (Western and Eastern) (see FEACO, 2009; Gross and Poor, 2008; International Financial Services, 2005). So we use the term ‘core’ to refer to the biggest consulting markets (and MNC units), which happen to be based in, perhaps unsurprisingly, the most powerful Western nations, all of which are or have been imperial powers, and the term ‘peripheral’ to refer to the many small but growing markets (and MNC units), which happen to be based in the so-called ‘developing’ or ‘emerging’ world (be it in the West or non-West).

[iii] Knowledge in consulting firms can be classified in terms of three interacting elements: structured consulting methods, individual consultant experience and cases of particular projects (Werr and Stjernberg, 2003). Our focus is on the latter, which help connect the former two types of knowledge.

[iv] A UK slang term meaning ‘go away’ in an assertive tone.