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KNOWLEDGE IS POWER: HOW SUBSIDIARY CREATE KNOWLEDGE BY RELATIONAL EMBEDDEDNESS AND KNOWLEDGE SPILLOVERS

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Abstract

In this study, the relationship between environmental competitiveness and knowledge creation in subsidiaries is examined, suggesting that external relational embeddedness serves as a mediator and knowledge spillover acts as a moderator of this relationship. We analyzed a sample of 189 subsidiaries in Shanghai, Mainland China. The findings indicate that environmental competitiveness has a positive effect on the external embeddedness of subsidiaries. Specifically, subsidiary external relational embeddedness not only directly affects subsidiary absorptive capacity and knowledge creation but also has a fully mediating effect on this relationship. Regarding the effect of knowledge spillovers, only unconscious knowledge spillovers allow subsidiaries to expand their relational networks, increase their sources of knowledge, and notably increase their opportunities for knowledge creation. Both the theoretical and empirical implications are further discussed.

Keywords

Knowledge, Environmental Competitiveness, Relational Embeddedness, Spillovers, Subsidiary

Purpose: We focus on the antecedents of knowledge creation in subsidiaries. The reason for this is that knowledge needs to be externally embedded and the impact of knowledge spillovers needs to be explored. More importantly, the whole process of knowledge development is examined in detail. This is an important issue for MNE in emerging markets.

Design/methodology/approach: This study obtained the data through a survey of 189 subsidiaries in China. CEO or senior managers were selected as the data collection sources. covariance-based structural equation modeling analysis was used to address sophisticated data analysis issues.

Findings: Subsidiary knowledge creation needs to be achieved through the embeddedness of external relationships, and the combination of absorptive capacity can facilitate subsidiary knowledge creation. We confirm that knowledge spillovers exist only when such events are unconscious. Unconscious knowledge spillovers exert a moderating effect that serves to strengthens the positive relationship between environmental competitiveness and external relational embeddedness. Also, external relational embeddedness has a fully mediating effect on the knowledge creation of subsidiaries, while absorptive capacity has a partially mediating effect. We thus demonstrate that external relational embeddedness is key to increasing the competitive advantage of subsidiaries.

Originality/value: This study contributes to the literature on subsidiary knowledge creation by offering an external relationship embeddedness model. Although there is still room for development of theoretical models in this area, it is important to note that there is a lot of work to be done in this area. We provide fresh insights into knowledge management and offers significant theoretical and managerial implications. Specifically, this study focuses on the external relational embeddedness' mediating impacts as well as moderating impacts from knowledge spillovers.