

Human resource management, absorptive capacity, and reverse knowledge transfer

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Abstract:

Purpose: The objective of this study is to analyse the process of reverse knowledge transfer (RKT) occurring in multinational companies (MNCs), examining whether headquarters' absorptive capacity and the human resource management (HRM) practices developed by the parent unit influence success.

Design/methodology/approach: The data were collected through a questionnaire completed by the human resource manager of MNC headquarters. The analysis has been carried out on a sample of 115 Spanish MNCs by using structural equation models (SEM).

Findings: The results indicate that a parent firm's absorptive capacity positively influences RKT and that, in turn, this absorptive capacity is greater if headquarters implement certain practices of employee staffing, training, participation, and performance appraisal.

Originality: This study extends existing research on RKT by examining the absorptive capacity of headquarters. Its main contribution is to provide evidence that MNCs can improve their RKT through HRM practices developed by the parent unit. This is original because most studies on RKT focus on HRM practices used by subsidiaries.

Keywords:

Reverse knowledge transfer; absorptive capacity; human resource management practices; multinational companies.

1. Introduction

In business management literature, there is widespread agreement that the success of any firm largely depends on the knowledge it possesses (Grant, 1996; Gürlek, 2021; Nonaka and Takeuchi, 1995). If organizational knowledge is important to any company, it is even more so in the case of MNCs because they are subject to more intense competition than domestic companies (Gupta and Govidarajan, 2000, Minbaeva et al., 2003; Situmorang and Japutra, 2024; Su et al., 2020). One of the sources of value creation for MNCs is their ability to mobilize the knowledge within their network of subsidiaries and continually expand and renew their knowledge stock. Thus, the creation of sustainable competitive advantages in MNCs requires knowledge transfer (Chang et al., 2012; Dellestrand et al., 2023; Froese et al., 2021; Lee et al., 2020; Minbaeva et al., 2003; Park and Vertinsky, 2016; Stoermer et al., 2021). The problem is that knowledge transfer within organizations is not easy, especially when the knowledge is tacit (Nair et al., 2018; Rabbiosi and Santangelo, 2013). To overcome this problem, international worker mobility is one of the best mechanisms to exchange knowledge among the different areas of the company (Brewster and Suutari, 2005; Chang et al., 2012).

Generally, MNCs use employees to transfer knowledge among their different locations (Chang et al., 2012; Situmorang and Japutra, 2024; Zulkifly et al., 2020), but little is known about how knowledge is transferred from an international worker (expatriate or repatriated) to the receiving organizational unit (subsidiary or headquarters), or how this process could be

improved (Kostova et al., 2016). Studies on internal knowledge transfer in MNCs have focused on the components of sending and receiving information. However, little attention has been paid to how companies can facilitate knowledge transfer within the organization (Minbaeva, 2005; Oddou et al., 2009).

The research carried out so far has focused on the transfer of knowledge from the head office to its subsidiaries, which is known as *direct knowledge transfer* or *conventional knowledge flow* (Minbaeva and Michailova, 2004; Situmorang and Japutra, 2024). In direct knowledge transfer, the parent company's aim is to transfer home-based knowledge to the subsidiary. According to Park and Vertinsky (2016), addressing knowledge transfer only from the parent unit to the subsidiaries does not fully explain the complex transfer process within MNCs. In fact, MNCs can increase their knowledge-based resources more than national companies since they can access new knowledge across borders through their subsidiaries. This knowledge is valuable and unique for the headquarters. However, for it to become an effective competitive advantage, it must reach the parent unit (Dabic and Kiessling, 2019; Jiménez-Jiménez et al., 2020; Vlajcic et al., 2019). Since MNCs need this knowledge to be transferred to headquarters, interest in *reverse knowledge transfer* (RKT), that is, knowledge transfer from foreign subsidiaries back to parent companies, has been growing in general international management (Burmeister et al., 2018; Jankowska et al., 2021; Kostova et al., 2016; Wang et al., 2019).

Despite the importance of studying RKT, empirical research on this process is scarce (Jiménez-Jiménez et al., 2020; Nair et al., 2018; Rabbiosi and Santangelo, 2013), and knowledge about the factors influencing RKT is limited (Burmeister et al., 2018). Therefore, scholars have called for more studies on this topic, especially using a quantitative methodology,

to cover this critical gap in the literature (Ferencikova and Hrdlickova, 2020; Mudambi et al., 2014; Nair et al., 2016).

This situation and the conviction that improving RKT in MNCs can increase their competitiveness has motivated this study in which, following the main conclusions of prior research, we propose that the absorptive capacity of the unit receiving the knowledge is one of the most influential factors in the RKT (Aliasghar and Haar, 2023; Gupta and Govindarajan, 2000; Oddou et al. 2009)

Based on the knowledge-based-view (KBV) (Grant, 1996), this study makes a series of contributions to the research on knowledge transfer in MNCs. Firstly, while most studies have analysed this topic from the perspective of direct knowledge transfer (Dellestrand et al., 2023; Minbaeva, 2005; Minbaeva and Michailova, 2004; Minbaeva et al., 2012; Situmorang and Japutra, 2024), this paper focuses on RKT and provides empirical evidence on the inverse knowledge transmission. Secondly, we analyze the absorptive capacity of parent companies as an independent variable on which RKT depends since empirical studies have generally considered absorptive capacity as a control variable (Jiménez-Jiménez et al., 2020; Minbaeva, 2005). Finally, it should be noted that while most of the literature on RKT has focused on subsidiaries (Nair et al., 2016; Rabbiosi and Santangelo, 2013), we center our study on headquarters. This is an important contribution of this research because until now, the role of the parent unit in RKT has been little studied. This is surprising since a company's value can be increased through knowledge transfer, and the head office is responsible for establishing the company's strategic direction and selecting the firm's major investments. Therefore, the parent company's ability and willingness to receive knowledge from subsidiaries are crucial for the success of the process (Burmeister et al., 2018; Gupta and Govindarajan, 2000; Nair et al., 2016;

Nair et al., 2018; Rabbiosi and Santangelo, 2013; Su et al., 2023). Specifically, this paper explores whether MNCs can increase their headquarters' absorptive capacity through variables endogenous to organizational processes. Therefore, while the literature has studied HRM practices adopted by subsidiaries (Minbaeva, 2005; Minbaeva, 2008; Minbaeva et al., 2003; Patel et al., 2019; Smale et al., 2012), we examine the extent to which HRM practices influence the absorptive capacity of the parent unit. So far, limited research exists on whether HRM practices can develop headquarters' absorptive capacity (Zhou et al., 2020).

To achieve these objectives, this study is structured as follows. First, we review the relationship between absorptive capacity and knowledge transfer in MNCs and the relationship between HRM practices and absorptive capacity. Then, the research hypotheses are formulated. Next, the methodology of the study is explained. Subsequently, the results of the empirical study are presented. In the last section, the results are discussed, the theoretical and managerial implications are explained, the main limitations are debated, and future research is considered.

2. Theoretical background

2.1. Absorptive capacity and RKT

MNCs have a potential advantage over companies that only operate in national markets because they can take advantage of the knowledge developed in their different locations (Chang et al., 2012; Froese et al., 2021; Kostova et al., 2016; Lee et al., 2020; Minbaeva et al., 2003; Stoermer et al., 2021).

According to the KBV, a firm is an institution that integrates knowledge, and the knowledge developed and transferred within and among companies leads to the creation of value. The KBV recognizes that knowledge transferability is a critical capacity to achieve

sustainable competitive advantage, and this is essential not only among companies but also within firms (Grant, 1996). The ability to transfer knowledge internally is essential for MNCs' success (Gupta and Govindarajan, 2000; Situmorang and Japutra, 2024; Su et al., 2020).

The problem is that there are barriers to the transfer of knowledge, especially if it is tacit and interdependent upon the social context (Grant, 1996; Kiessling et al., 2023; Rabbiosi and Santangelo, 2013; Zhou et al., 2020). Unlike explicit knowledge, tacit knowledge cannot be coded and is often built from individuals' experiences (Chang et al., 2012; Nonaka and Takeuchi, 1995). Tacit knowledge can only be acquired and assimilated through interaction among the workers of a firm, so MNCs use international assignments, both through expatriations and repatriations, to facilitate the transfer of knowledge from headquarters to their subsidiaries and vice versa (Kiessling et al., 2023; Situmorang and Japutra, 2024).

In recent years, the role of subsidiaries has changed from that of inactive knowledge receivers to dynamic knowledge creators. Due to increased global competitiveness, subsidiaries have learned that collecting local information can give them an advantage over their competitors (Jeong et al., 2017; Peltokorpi and Yamao, 2017). Thus, foreign subsidiaries generate new knowledge, which is useful for the parent company (Mudambi et al., 2014; Rabbiosi and Santangelo, 2013). For this new knowledge to reach the head office, the repatriates must assume the role of knowledge senders (Peltokorpi and Yamao, 2017; Situmorang and Japutra, 2024). However, RKT is more complicated to transfer than direct knowledge because repatriates' knowledge is often underestimated by headquarters, and it is more difficult for the potential benefits of subsidiary knowledge to be recognized (Burmeister et al., 2018; Yang et al., 2008). The difficulty of globally transmitting the knowledge repatriates possess could mean a loss of competitive advantage for MNCs, but the literature has not yet

paid much attention to the mechanisms that help repatriates transfer knowledge from subsidiaries to the parent unit (Kiessling et al., 2023; Nair et al., 2018).

Numerous papers have analysed knowledge transfer within MNCs, but they have only recently tried to find its key determinants (Burmeister et al., 2018). Currently, there is no consensus about the primary determinants influencing RKT (Jeong et al., 2017). In general, the literature points out that knowledge transfer largely depends on the absorptive capacity of the subject receiving the knowledge (Ai and Tan, 2017; Aliasghar and Haar, 2023; Apriliyanti and Alon, 2017; Gupta and Govindarajan, 2000; Park et al., 2022; Song, 2014).

Absorptive capacity is the ability of the company that receives the knowledge to recognize the importance of new external knowledge, assimilate it, and apply it to obtain benefits (Apriliyanti and Alon, 2017; Cohen and Levinthal, 1990; Gupta and Govindarajan, 2000; Tian and Soo, 2018). The ability to evaluate and use external knowledge depends to a large extent on prior related knowledge (Cohen and Levinthal, 1990).

According to Cohen and Levinthal (1990), an organization's absorptive capacity depends on transferring knowledge across and within subunits. Gupta and Govindarajan (2000) state that a firm's capacity to absorb incoming knowledge is essential for assimilating external knowledge. When the same amount of knowledge is transmitted, acquiring and applying this knowledge is more effective if there is more absorptive capacity (Budmeister et al., 2018; Chang et al., 2012). Thus, the greater the absorptive capacity, the more knowledge an organization can acquire. In addition, a company's absorptive capacity can be a key factor in managing transferred knowledge of a more tacit nature (Ambos et al., 2006; Apriliyanti and Alon, 2017).

In the case of RKT, the subject that receives the knowledge is the parent unit, the sender is the subsidiary, and the repatriates transmit the knowledge (Oddou et al., 2009). However, a repatriate's simple exposure to relevant prior knowledge does not mean that he/she will be able to transmit it since the transfer process is influenced by mechanisms that can facilitate or hinder the transfer, affecting the result of the process (Dellestrand et al., 2023).

2.2. HRM practices and absorptive capacity

According to the KBV, the efficiency with which knowledge can be transferred is determined, in part, by the potential to aggregate this knowledge. It depends on the knowledge recipient's ability to add new knowledge to existing knowledge (Grant, 1996). Received knowledge has been analysed from the perspective of the recipient's absorptive capacity. However, while studies have focused on the benefits of absorptive capacity, organizational antecedents have been largely ignored (Apriliyanti and Alon, 2017). The literature has paid scarce attention to whether MNCs can develop their absorptive capacity (Minbaeva et al., 2003; Park et al., 2022).

An organization's absorptive capacity is based on individuals' absorptive capacities. However, it is more than the sum of individual capacities. It also depends on various organizational factors, such as structure or spending on research and development (Cohen and Levinthal, 1990).

HRM practices are among these organizational factors on which absorptive capacity depends. HRM practices play a crucial role because they can influence the degree to which an organization obtains and assimilates new knowledge. Absorptive capacity depends to a considerable extent on how a firm motivates and trains its workers (Cohen and Levinthal, 1990;

Marsick and Watkins, 2003; Minbaeva, 2008; Stoermer et al., 2020). HRM practices can increase intellectual capital, resulting in enhanced absorptive capacity (Gürlek, 2021; Yang and Lin, 2009). HRM practices can also favor individuals' social embeddedness (social embeddedness refers to workers' involvement and willingness to share and accumulate knowledge to favor the company), thus improving their ability to acquire and assimilate knowledge within firms (Kiessling et al., 2023; Papa et al., 2020).

Therefore, for the inflow and implementation of knowledge to be successful, the receiving unit must have a series of capabilities that can be developed through HRM practices (Song, 2021; Zhou et al., 2020). In addition, HRM practices can help overcome barriers to transferring knowledge and increase absorptive capacity (Minbaeva et al., 2012).

3. Hypothesis development

Most studies on MNCs that analyze the relationship between absorptive capacity and knowledge transfer focus on knowledge that goes from headquarters to subsidiaries (Park et al., 2022). These studies on direct knowledge transfer assume that absorptive capacity favors the success of knowledge transfer in two ways. It helps subsidiaries successfully receive the knowledge transmitted by the expatriate, and it helps integrate the new knowledge into the routines and operations existing in the subsidiary (Chang et al., 2012). With the same amount of knowledge transmitted, the subsidiary will acquire and apply it more efficiently when there is more absorptive capacity (Minbaeva et al., 2003; Chang et al., 2012; Park and Vertinsky, 2016). However, not all researchers obtained complete evidence of this relationship (Gupta and Govindarajan, 2000). According to Minbaeva (2008), this difference in the results is because absorptive capacity was measured in different ways.

Regarding RKT, studies focusing on the relationship between headquarters' absorptive capacity and RKT are very scarce (Ambos et al., 2006; Jiménez-Jiménez et al., 2020; Nair et al., 2016). They argue that with more absorptive capacity, the head office is more open to the knowledge coming from its subsidiaries, is better able to assimilate this knowledge, and make changes to take advantage of its benefits (Nair et al., 2016). The MNCs whose headquarters have greater absorptive capacity are more likely to accept the repatriates' knowledge and can more easily overcome their prejudices regarding this knowledge (Nair et al., 2018; Rabbiosi and Santangelo, 2013). The results of these investigations show that the parent unit's absorptive capacity favorably influences the benefits of inverse knowledge (Ambos et al., 2006; Jiménez-Jiménez et al., 2020; Nair et al., 2016). This indicates that even if headquarters tries to acquire and assimilate the knowledge developed by its foreign affiliates, it may not be successful if it cannot understand the local knowledge (Ambos et al., 2006). Considering the above, we propose the following hypothesis:

Hypothesis 1 (H1): The absorptive capacity of headquarters has a positive effect on RKT.

Absorptive capacity can be developed through HRM practices. Studies on MNCs analyzing HRM practices mainly focus on those carried out in subsidiaries (Benoy and Morley, 2020; Liu and Meyer, 2020; Smale et al., 2012; Song, 2021; Williams and Lee, 2016). The literature on international HRM has analyzed staffing, training, team-based collaboration, participation, performance appraisal, promotion, communication, and compensation, among other HRM practices (Gürlek, 2021; Liu and Meyer, 2020, Minbaeva, 2005; Minbaeva, 2008; Zhou et al., 2020).

From the point of view of the headquarters, there are some HRM practices considered key to developing the human capital of MNCs through the increase of absorptive capacity (Benoy and Morley, 2020).

Specifically, companies can increase their absorptive capacity by recruiting workers possessing the abilities they require (Cohen and Levinthal, 1990). Recruiting is a widespread practice used by many organizations to improve their competencies, and therefore absorptive capacity can be enhanced by hiring the right employees (Benoy and Morley, 2020; Gürlek, 2021). These individuals allow their organizations to take advantage of the knowledge gained from diverse sources and stimulate a learning-oriented culture (Chen and Huang, 2009). According to Minbaeva (2005), firms that engage in comprehensive staffing procedures can create a pool of candidates with sufficient knowledge and skills to increase the company's absorptive capacity. Since many MNCs are multilingual organizations, employees' foreign language competencies make it easier for MNCs to assimilate knowledge that goes beyond the limits of language (Cohen and Levinthal, 1990; Welch and Welch, 2018). For this reason, some studies have examined whether recruiting workers with foreign language proficiency enhances absorptive capacity in MNCs (Welch and Welch, 2018). Although these studies focus on the absorptive capacity of subsidiaries, they provide arguments leading to the following hypothesis:

Hypothesis 2 (H2): Selective staffing practices have a positive effect on the absorptive capacity of headquarters.

Training is considered an essential mechanism for acquiring and developing knowledge. It prepares employees to gain and assimilate knowledge and apply it to their work (Argote et al., 2003; Gürlek, 2021; Nonaka and Takeuchi, 1995). Underinvestment in training can lead to

workers with less knowledge and fewer skills, thereby inhibiting learning. Organizations can achieve greater absorptive capacity by encouraging their workers to participate in continuous training and by providing training programs to improve job-related skills (Cohen and Levinthal, 1990; Jeong et al., 2017; Scaringella and Burtschell, 2017; Williams and Lee, 2016; Zhou et al., 2020). Properly organized training serves as a connection between employees in the parent unit and subsidiaries, promoting collaboration and knowledge exchange. To achieve RKT, employees in the head office need to understand the value of repatriated knowledge, how it relates to their prior knowledge, and how it can be used in their tasks (Oddou et al., 2009). Minbaeva et al. (2003), in their study on 169 MNC subsidiaries, find evidence that extensive training improves subsidiaries' absorptive capacity. Welch and Welch (2018) show that language training develops employees' foreign language skills and increases absorptive capacity in subsidiaries. Building on these arguments, the following hypothesis is formulated:

Hypothesis 3 (H3): Formalized training practices have a positive effect on the absorptive capacity of headquarters.

Worker participation is another HRM practice that can promote absorptive capacity since employees feel more involved and contribute to knowledge management and learning activities. If the company grants more autonomy and decision-making power to employees and allows them to participate in decision-making, they feel more committed to the organization, which enables greater absorption of knowledge (Nonaka and Takeuchi, 1995). When an organization encourages its workers to make suggestions and participate in the company, knowledge flows increase and can contribute to the emergence of new and better ideas (Chen and Huang, 2009; Grant, 1996). Worker participation is a way to encourage employee motivation (one of the main

learning stimulators) and thus improve companies' absorptive capacity (Scaringella and Burtschell, 2017). According to the management control theory, decentralization at lower levels permits more effective use of knowledge (Williams and van Triest, 2009). In teamwork, participation is essential since it improves team members' potential absorptive capacity by facilitating the accumulation of prior knowledge about their current projects (Popaitoon and Siengthai, 2014). Williams and Lee (2016) show that a participative climate in the subsidiary improves both knowledge inflows and outflows at the subsidiary level, and empowering practices designed to increase employee commitment have a favourable effect on knowledge outflows. Drawing on these arguments, we propose the following hypothesis:

Hypothesis 4 (H4): Participation practices have a positive effect on the absorptive capacity of headquarters.

Performance appraisal systems provide a company with information on employee performance and the knowledge and skills that workers must have to cover the organization's needs (Minbaeva, 2005). This HRM practice provides workers with feedback regarding their strengths and weaknesses and encourages them to improve their performance by acquiring and assimilating new knowledge (Gürlek, 2021; Zhou et al., 2020). According to Minbaeva (2008), this result is more significant when performance influences the reward system compensating employees for the quality of their work and their contribution to the firm. Companies can use performance appraisal systems to encourage workers to share their knowledge with others and increase their absorptive capacity by applying that knowledge to their jobs (Currie and Kerrin, 2003). Some studies, such as Minbaeva et al.'s (2003), show that performance appraisal oriented toward employee ability improves the absorptive capacity of MNCs. Minbaeva (2005)

finds that performance appraisal enhances knowledge transfer to subsidiaries through its effect on employees' ability and motivation. However, Williams and Lee (2016) conclude that formalized HRM practices (one of the two items that make up this variable is that the subsidiary has well-designed employee performance evaluation procedures) have no significant effect on the knowledge that flows into and out of subsidiaries. In view of these arguments, we propose the following:

Hypothesis 5 (H5): Formalized performance appraisal practices have a positive effect on the absorptive capacity of headquarters.

Concerning compensation, if a company wants to promote knowledge dissemination, this HRM practice should reward creativity, the ability to solve problems, and the ability to take risks (Argote et al., 2003). If employees are not motivated, their effectiveness will be limited. Remuneration based on performance is one of the incentives available to motivate them. If employees know that the organization values and rewards their efforts to acquire and exchange knowledge, they will be more motivated to do so (Chen and Huang, 2009; Zhou et al., 2020). According to Gürlek (2021), compensation practices are related to absorptive capacity. Gupta and Govindarajan (2000) assert that motivation is a prime antecedent to knowledge transfer. Minbaeva et al. (2003), Minbaeva (2008), and Minbaeva et al. (2012) analyse knowledge transfer from headquarters to subsidiaries. They find that rewards have a positive effect on subsidiary employees' motivation and increase knowledge transfer to subsidiaries. Hence, we propose the following hypothesis:

Hypothesis 6 (H6): Results-oriented compensation practices have a positive effect on the absorptive capacity of headquarters.

Figure 1 shows our conceptual model.

Insert Figure 1 here

4. Methodology

4.1. Sample

The population of this study comprised Spanish companies that have at least one subsidiary abroad, a tenure of over five years, and more than 100 employees. According to the Amadeus database, 1,397 MNCs fulfilled these criteria.

A questionnaire survey methodology was chosen to collect the data. We prepared a questionnaire based on previous research. Following Brislin (1970), the questionnaire was designed in English, then translated into Spanish, and then back to English to improve its accuracy. The survey was addressed to human resource managers since they usually manage expatriation processes. The data was collected by a specialized market research firm, following the authors' instructions, through telephone interviews. This company contacted the HRM department of all the companies included in the population and described the objective of the questionnaire and the research method to them. The quality of the data collection was controlled by randomly contacting some of the companies that had answered the survey. 193 valid questionnaires were obtained, which represents a response rate of 13.81%. However, not all of them had repatriated workers during the previous three years, so these questionnaires were discarded. The data from the 115 companies that met this condition were used.

56% of the companies in the sample belong to the service sector, 38% to the industrial sector, and 6% to the construction sector. The average number of workers in the companies is

2,530, their average number of expatriates is 22.48, and 11.34 is the average number of repatriated workers who had returned to the parent unit during the three previous years to the survey. The average number of countries in which the companies have subsidiaries is 16.43.

To determine any differences between respondents and non-respondents, t-test analyses were performed. These analyses do not reveal significant differences regarding the number of employees ($F = 6.750$; $p = 0.093$) and sales volume ($F = 11.760$; $p = 0.076$).

4.2. Measurements

Reverse knowledge transfer: has been measured using a ten-item scale based on Ambos et al. (2006), Gupta and Govindarajan (2000), and Minbaeva (2005). The scale measures the extent to which the knowledge obtained by repatriated employees while abroad has been useful to the company to improve diverse types of operations. To collect the answers, a Likert scale of 5 points was used (1 = not useful, and 5 = very useful). According to Ambos et al. (2006), this perception measure allows for the fact that not all knowledge transfer is transformed into added value and that the important thing is not the mere transmission of knowledge from the sender to the receiver but the degree to which said knowledge can generate benefits in the operations of the recipient.

Absorptive capacity of headquarters: previous research has measured absorptive capacity in different ways (Michailova and Mustafa, 2012). Some studies have used employees' ability and motivation (Minbaeva and Michailova, 2004; Minbaeva et al., 2003), others the knowledge accumulated by the individuals in the receiving unit (Ambos et al., 2006), and a third group, the learning mechanisms available to the organization to foster the capacity of its members to acquire and share knowledge (Jiménez-Jiménez et al., 2020; Mahnke et al., 2005). In this study, we follow the latter approach. Absorptive capacity has been measured

using a scale of seven items based on the dimensions of the learning organization questionnaire developed by Marsick and Watkins (2003). A 5-point Likert scale has been used to collect the answers (1 = total disagreement; 5 = total agreement).

Human resource management practices: HRM practices have been measured using the 16-item scale developed by Chen and Huang (2009). These authors include five HRM practices fundamental to improving knowledge sharing in the firm: staffing, training, participation, performance appraisal, and compensation. The HRM practices of this scale are commonly used in international HRM research. (Benoy and Morley, 2020; Minbaeva, 2005; Smale et al., 2012; Song, 2021; Williams and Lee, 2016; Zhou et al., 2020). A Likert scale of 5 points (1 = total disagreement; 5 = total agreement) measures agreement.

Control variables: five control variables have been used. First, company size may influence RKT because larger companies can devote more resources to creating and transferring knowledge (Gupta and Govindarajan, 2000). Firm size has been measured by the number of employees. Second, the number of years since the company began its internationalization may influence the transfer of knowledge because firms that have internationalized earlier may have better-developed relationships among their different locations and thus transfer knowledge better. If a company gains experience over time, its absorptive capacity can also improve (Song, 2014). Third, the number of foreign countries in which the firm has subsidiaries has been controlled, and fourth, the number of subsidiaries has also been controlled because previous research has used these variables to assess firms' international experience, and this experience can increase the exchange of knowledge. Finally, the number of workers with international experience in the headquarters has been included as a control variable. Expatriate or repatriate presence has been used to capture employee receptivity in the knowledge recipient unit and

arguably contributes to inter-unit knowledge transfer (Minbaeva et al., 2003) and absorptive capacity (Chang et al., 2012).

4.3. Reliability and validity check

To assess the measurement model, a two-step procedure is necessary (Anderson and Gerbing, 1988). First, to determine the goodness of fit of the measurement scales, a confirmatory factor analysis (CFA) was applied. Second, structural equation models (SEM) were used to analyse the hypotheses. A confirmatory factor analysis was conducted using all the items to check the single dimensionality of each construct. EQS v.6.1 for Windows was used to estimate CFA adjustment measures. The findings of the CFA testing the validation of the measures ($\chi^2_{(231)}=390.50$; BNNFI=0.897; CFI=0.914; IFI=0.918; RMSEA=0.060) show a good fit for the measurement model. The indicators are within the parameters indicated in the literature (Anderson and Gerbing, 1988; Fornell and Larcker, 1981; Hoyle and Panter, 1995; Podsakoff et al., 2003).

The reliability of the measures was calculated with the indicators proposed by Bagozzi and Yi (2012) and Fornell and Larcker (1981) from the Average Variance Extracted Index (AVE) and the Composite Reliability Index (SCR), respectively. The analyses indicate that all the scales have a suitable value of composite reliability (SCR); they are higher than 0.7. Concerning the AVE, all the scale values are higher than the recommended limit of 0.5. In Table 1, the Cronbach alpha, SCR, and AVE are presented on each factor.

Insert Table 1 here

Finally, discriminant validity is shown first since the confidence interval (± 2 standard error) of the correlation estimate between any two latent indicators never includes 1.0.

Discriminant validity was also tested by comparing the square root of the AVEs for a particular factor to its correlation with the other factors. According to Fornell and Larcker's (1981) recommendations, discriminant validity was confirmed.

5. Results

Table 2 shows the means, standard deviations, and correlations between the variables of the model.

Insert Table 2 here

The theoretical model was tested with the structural equation model (SEM) using the statistical program EQS 6.1 for Windows. The results are presented in Table 3, Figure 2. They show that the SEM measures of fit are within the parameters recommended in the literature, so there is an adequate fit (Satorra-Bentler $\chi^2_{(327)}=460.55$ ($p=0.000$); BNNFI=0.838; CFI=0.872; IFI=0.883; RMSEA=0.067). This is another indicator supporting the validity of these scales (Satorra and Bentler, 2001).

Insert Table 3 here

The empirical findings support Hypothesis 1, which proposes that the absorptive capacity of headquarters has a positive effect on reverse knowledge transfer ($\beta = 0.686$; $p<0.01$). The results also support Hypothesis 2 ($\beta = 0.485$; $p<0.01$), Hypothesis 3 ($\beta = 0.201$; $p<0.01$), Hypothesis 4 ($\beta = 0.147$; $p<0.01$), and Hypothesis 5 ($\beta = 0.138$; $p<0.05$), showing that selective staffing practices, formalized training practices, participation practices, and formalized performance appraisal practices have a favourable impact on the absorptive capacity of the head office. However, according to our findings, results-oriented compensation practices do not have

an effect on the absorptive capacity of headquarters. Therefore, there is no evidence to support Hypothesis 6.

Insert Figure 2 here

6. Discussion

As explained before, our study focuses on RKT, a process of vital importance for the competitiveness of MNCs (Dabic and Kiessling, 2019; Ferencikova and Hrdlickova, 2020; Jiménez-Jiménez et al., 2020; Vlačić et al., 2019), but scarcely analyzed by academics until now (Burmeister et al., 2018; Jankowska et al., 2021; Wang et al., 2019). More specifically, we examine the role played by the headquarters' absorptive capacity and HRM practices as determinants of RKT.

Firstly, our results demonstrate that the absorptive capacity of headquarters positively influences RKT. That is, the more opportunities the head office provides for its workers to learn continuously, the more systems headquarters establishes to help acquire and share knowledge, the more it encourages dialogue, experimentation, and critical thinking, and the more strategic leadership it provides to support learning, the better the MNC can take advantage of the knowledge that repatriated workers acquire during their time abroad to improve its production processes, R&D activity, quality management, and cooperation agreements, among other aspects.

Our research also shows a positive relationship between some HRM practices and the parent unit's absorptive capacity. Those practices are the use of selective staffing practices to choose a candidate for an international assignment, the use of formalized training practices and performance appraisal practices, and the implementation of workers' participation systems.

Other studies have found a relationship between these HRM practices and absorptive capacity, but they focused on the subsidiary's absorptive capacity (Minbaeva, 2005; Minbaeva et al., 2003; Williams and Lee, 2016).

Finally, contrary to expectations, no significant relationship is found between the use of results-oriented compensation practices and headquarters' absorptive capacity. This result could indicate that the absorption capacity of the head office is not conditioned by economic aspects, and wage factors do not determine absorptive capacity, but also that compensation practices should not focus on employee's results but on its behavior. Future research should study this issue further.

6.1. Theoretical implications

Our paper makes three significant theoretical contributions. First, drawing upon KBV (Grant, 1996), our research contributes to the literature on Knowledge Transfer within MNCs. Knowledge transfer is key in the global sphere and can be a source of competitive advantage for MNCs. However, so far, little was known about how MNCs can facilitate this process within the organization, particularly from repatriates to headquarters. Our paper shows that the absorptive capacity of the headquarters is a key factor for the success of knowledge transfer from subsidiaries to the headquarters, that is of RKT. Although there was a general agreement in the literature about this (Burmeister et al., 2018; Su et al., 2023), evidence supporting this assumption was limited (Jiménez-Jiménez et al. 2020; Nair et al. 2016) because most of the empirical studies on the determinants of RKT had focused on the characteristics of the subsidiaries (Nair et al., 2016; Rabbiosi and Santangelo, 2013), the knowledge senders, not on the role of headquarters, the knowledge receivers in that process. Therefore, this study takes a

step toward understanding of RKT within MNCs and demonstrates that the headquarters' absorptive capacity should be included in the ongoing debate about how to foster RKT in MNCs and in the research in this field.

Second, our findings show that the headquarters' absorptive capacity is improved through appropriate HRM practices and this is a contribution to the literature on the organization's absorptive capacity. Prior research had indicated that, although this variable is more than the sum of the employees' absorptive capacities, it is based on them and, consequently, HRM practices are mechanisms that can be used to foster the organization's absorptive capacity. And, in the context of MNCs, some studies had proved that the HRM practices are determinants of the subsidiaries' absorptive capacity (Djikhy and Moustaghfir, 2019; Ferreira et al., 2022). However, there was a lack of research on the headquarters absorptive capacity, and the role of HRM practices as mechanisms to enhance that variable has been frequently ignored. Our investigation provides empirical support on the influence of selection, training, results' performance assessment, and employees' participation in decision-making to enhance the absorptive capacity of the headquarters. Therefore, our study advances the research on the organization's absorptive capacity in the context of MNCs by identifying some HRM practices that can be used to improve that capacity.

Finally, our research proves that repatriates can play a critical function in international organizations. Consequently, more research should consider repatriates as an analysis unit and key assets for MNCs. This way, our paper contributes to the literature on International HRM, which has focused predominantly on how to manage the expatriation and repatriation processes to reduce the problems of cross-culture shock and to improve the international adjustment of expatriates and repatriates (Takeuchi et al., 2007; Wu et al., 2022). Recently, some studies have

provided insights into how MNCs can transfer knowledge from parent unit to subsidiaries and have highlighted expatriates as one of the most important instruments to do so (Chang et al., 2012; Cuypers et al., 2020; Stoermer et al., 2021), but little attention has been given to how repatriates can collaborate in the knowledge transfer process. Our study contributes to the research in this field.

In sum, the theoretical model proposed and tested in this paper opens new avenues for the development of a broader framework that explains how to foster the RKT process and the organization's absorptive capacity in the context of MNCs.

6.2. Practical implications

The results of our paper have interesting implications for practitioners. One of them is that, in order to take advantage of the valuable knowledge that international workers acquire during their assignments abroad, MNCs should strengthen the headquarters' absorptive capacity, which includes, among other actions fostering the collaboration and dialogue among employees, their creativity and orientation to market, or the mechanisms that support learning and knowledge sharing within the parent unit.

In addition, our study identifies certain HRM practices that may be useful to strengthen headquarters' absorptive capacity. Considering them, some recommendations can be made to practitioners. MNC executives are advised to hire new employees following a strategic orientation based on the skills that workers must possess. Managers should recognize the value of planning the training they offer their workers and adapt it to the characteristics of each group, with particular emphasis on training aimed at newcomers to the company. Likewise, managers must promote a participatory environment in MNCs, allowing workers to collaborate in

decision-making, offering mechanisms for them to make suggestions about improving their work and taking their opinions into account. Managers are also recommended to evaluate employee performance and link it to an intrinsic or extrinsic reward system to highlight its importance.

6.3. Research limitations and future research

This study has several limitations. First, it is a cross-sectional study, so changes in the variables over time cannot be analyzed. Absorptive capacity and RKT are variables that change with time (Song, 2014), but our research does not allow us to study how changes in the application of HRM practices influence the development of MNC headquarters' absorptive capacity, nor how these changes affect RKT. Second, the data were collected from only one respondent, which may result in a common method variance bias. We assessed the likelihood of this bias by conducting one of the tests suggested by Podsakoff et al. (2003): Harman's single-factor test. Based on the results of this test, it seems that common method bias is not a relevant problem in this study, but it would have been better to have multiple informants. Third, this work focuses on Spain, and the results can be context specific. For instance, Spain was a country characterized by protectionism, economic nationalism, and international isolation until 1960 and with a weaker tradition in expanding its companies internationally than other Western countries (Puig and Alvaro-Moya, 2016). However, despite these country-specific characteristics, we think that comparable effects may be present in other contexts, and our recommendations could help improve RKT and absorptive capacity in MNCs. Finally, in every knowledge transfer process, there are three key elements: the sender, the receiver, and the context, but this research analyses only one of them: the knowledge recipient (MNC headquarters).

The response to these limitations opens the door to future research. First, a longitudinal research design would help better understand the effects of HRM practices on the absorptive capacity of head offices and RKT. Furthermore, studies could be carried out in other countries and contexts following the scheme presented in this research to increase knowledge about the relationship among HRM practices, headquarters' absorptive capacity, and RKT. Finally, another line of research that remains open is incorporating into the model variables related to the knowledge sender (the subsidiary) and the context in which the transfer occurs.

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