

## Reverse knowledge transfer: A case study

**SOŇA FERENČÍKOVÁ**

Vysoká škola manažmentu, Bratislava, Slovakia

**JANA HRDLIČKOVÁ**

Vysoká škola manažmentu, Bratislava, Slovakia

**Abstract:** By reverse transfer knowledge gets from the subsidiary to the parent company that can utilize this knowledge to the benefit of other affiliates. Such process drives the results of the receiving unit. The paper describes how marketing knowledge was transferred from Slovak retailer through the parent company to the subsidiaries in the neighbouring countries. Knowledge sharing was supported by the organizational structures, company communication tools and cooperative culture. The subsidiaries in new countries achieved the same benefits that knowledge delivered in the country of its origin. Employee skills together with subsidiary environment create the room for generation of the ideas that could translate into new beneficial knowledge.

**Keywords:** Knowledge transfer, reverse knowledge transfer, marketing knowledge transfer, Tesco.

### 1 Introduction

Knowledge transfer could be defined as „an attempt by an entity to copy a specific type of knowledge from another entity. [...] Knowledge transfer is about ensuring that efforts provide the desired results (effectiveness) and ensuring that the new knowledge becomes embedded within the organization’s fabric (institutionalization)“ (Lucas, 2006, p. 259). Knowledge transfer results in similar or identical knowledge utilization in the second organizational unit while engaging the sender and the recipient. Knowledge flow could have several directions within the multinationals: directly from the parent company to its subsidiaries, where the subsidiaries tend to be knowledge recipients. Secondly, knowledge could be exchanged among the subsidiaries, that send and receive knowledge. Knowledge could be exchanged also without the participation of the parent company. Finally, network could be formed from the parent company and its subsidiaries where the headquarters facilitate knowledge flow, especially if the subsidiaries are not willing to exchange knowledge, resp. knowledge exchange is needed to meet the organizational strategic objectives (Lucas, 2006).

The academic research has traditionally focused on knowledge transfer from the parent company to its subsidiaries, resp. from the developed countries to the developing ones. The practice has changed following the internationalization and research and development decentralization which reflected also in the theory that started to study less traditional knowledge flows from the subsidiaries to the parent companies and from the developing countries to the developed states. According to the definition, the reverse knowledge transfer is the transfer of the skills and competencies from the affiliates abroad to the headquarters in a home country. „Reverse knowledge transfer happens from subsidiary to parent, i.e. subsidiary

experiences are transferred to parent companies.“ (Mudambi et al., 2013, p. 49). Reverse knowledge transfer example is the development of the product in the local market that is transferred to the parent company which makes it available to the affiliates elsewhere.

Some scholars suggest that reverse knowledge transfer is identical to traditional knowledge transfer. The other schools disagree and emphasize that reverse knowledge transfer requires richer activities, more frequent personal contacts, headquarter interventions and a lot more effort in general (Borini et al.). Despite the similarities of the transfer mechanisms there are much less cases of reverse knowledge transfer compared to knowledge transfer from the headquarters to its subsidiaries.

Vast majority of the literature related to reverse knowledge transfer is covering its antecedents and the influencing factors. Literature does not mention the reverse knowledge transfer practice, the process and the specific cases. We believe that insight into real reverse knowledge transfer cases will add the new qualitative aspects to the existing knowledge base.

## **2 Objective and methodology**

The paper objective is to enrich the existing level of understanding of reverse knowledge transfer. Building on the reverse knowledge definition, we aim to verify the utilization of knowledge transfer from the subsidiaries to the parent companies via studying such cases, analyzing the driving factors and the benefits for both – subsidiary and the organization. Our findings will form a further perspective to the theme that has so far been studied in a general level, not by assessing the reverse knowledge transfer cases.

The applied methodology of an in-dept case study is analyzing the whole reverse knowledge transfer case. Three cases of reverse knowledge transfer coming for well known retailer will be looked into. The case study suggests that the company is using reverse knowledge transfer to build synergies and support its competitiveness. At the same time we realize that an enlargement of our research would allow to form more generic findings and implications related to reverse knowledge transfer utilization in the multinationals.

## **3 Case study – Reverse transfer of marketing knowledge in Tesco**

Use Tesco is a well established retailer in Slovakia offering grocery products and various services incl. mobile phones, financial, pharmacy, optics. Tesco in Slovakia (Tesco SK) is a member of Central Europe cluster that consists of: Slovakia, Czech republic, Poland and Hungary. Marketing management is based in Prague, headed by marketing director for Central Europe with following responsibilities: (1) communication, (2) research and pricing, (3) innovations and the deployment of digital media. Each stream is lead by the respective manager, who is responsible for the performance in all four countries. Each stream is further structured into few specializations.

The structure that is organized in a way that a manager is leading a team of specialists located in four countries and it is supporting the cooperation on Regional level. Multiple communication tools are available to employees – various online messengers that can carry out audio and video transmissions, e-mails, telephones, teleconferences, videoconferences, international and individual personal meetings. The employees use these communication opportunities vastly in their daily work.

Tesco SK has developed several improvements of marketing processes and campaigns, that were recognized by the headquarters in Prague and introduced in the remaining Central European countries. These marketing innovations were driven by the specific requirements of Slovak market as well as the willingness of the local marketers to deliver better shopping environment for the customers, more attractive offers and modern services. Three such marketing projects that significantly enhanced Tesco service for customers and originate in Slovakia will be introduced further: improved communication on POS materials in the stores, new way of getting customer feedback on Tesco service and program supporting cooperation with local suppliers.

The decision about the unification of POS materials used in the stores in Central Europe was taken at the beginning of 2017. The key objective was to harmonize the look and feel of the stores and achieve synergies while building Tesco brand. The project was led by Czech team dedicated to BTL communication that encompass the marketing materials used in the stores.

Czech team developed nice universal design. POS materials were visually attractive, easy to understand and implement. The graphics was aesthetic, impactful, clearly differentiating the promo mechanics: price promotion, Clubcard offer, permanently cheap prices, Tesco exclusivity, novelty, clearance and others. POS material set covered all communication positions within the store: power aisle by an entrance, action alley, aisles for regular product placements, counters with meat, fish, provision and cheese, bistro, bakery, fruit and vegetable and the rest of the moduls and their promo ends. The POS set contained: strips, wobblers, bubbles, leaflets, hotspots, shelf talkers, banners, pallet wraps, chalk boards, shelfage lables.

Although the materials were very nice, eye catching, navigating the customers, easy to work with a weak price message was identified by Slovak team just few weeks after the launch. Some image POS materials were communicating solely the promo mechanics such as promo, clearance, Tesco price while the particular prices were only written on the small size shelfage labels. As the price is the key decisive factor for the customers in Slovakia, the need to advance POS materials was defined. Slovak marketing team initiated a local adaptation of Regional POS materials in order to inform the customers about the prices of the products and eliminate the potential purchase barrier raising from insufficient price communication. Marketing team intensively cooperated with the store managers who know the possibilities of the stores to print prices on POS materials directly in the shops. Each POS format was adjusted so that the stores could print the prices directly on POS or on additional piece of paper that is placed next to the respective POS. In general the stores are able to print upto A3 size, thus pre-defined arrays were created on the POS materials so that the stores print the respective price therein. The bigger size POS materials were changed in a way, that either vertical or horizontal A4 price printed by the stores could be added to. The active communication with the stores about the technical possibilities and search for optimal setting were quite a complex and challenging steps while developing the adjusted communication on POS. The outcome of the cooperation were POS materials based on a look and feel of the initial development, however enhanced by the improved price visibility, incl. all prices the customers are usually interested to see (old price, promo price, discount in %, unit price). It helped navigate customer, it informed about promo mechanics and also about pricing which are crucial information pieces for purchase decision. Following the customer research the final design of POS materials is well percieved and according to the feedback from the store managers and buyers enhanced communication prevents declining sales resp. makes buyers organizing better offers for Tesco customers every day.

The improved POS material set was well received by the headquarters and also by Tesco teams in the rest of the countries of Central Europe. The strong point was seen in the power of price communication and compatibility with the printing opportunities of the stores. All three countries within the Region applied the original Slovak templates of the POS materials only with slight adjustments according to their local specifics.

The objective of Tesco is to provide the best possible service to its customers. In order to track the fulfillment of this goal Tesco monitors the customer satisfaction in the research conducted by British agency InMoment. The study used to use face to face interviews in the stores, the interviewers visited each Slovak store three times a month and interviewed the customers after the payment at the cash desk area. The questionnaire was aiming at finding the customer satisfaction, the interviewers were inserting the respondents' answer to tablet. The process based on the manpower was seen as old and expensive and according to the stores with the bias risk as the interviewers could potentially ask the questions with a different tone of voice. This aspect was considered serious since the research results serve for the stores evaluation.

The solution was created in Slovakia. Following up-to-date IT opportunities online research was seen as an interesting option. The Slovak team and the research agency developed an online questionnaire that replaced the interviewers and was reachable from the Tesco website. The questionnaire is testing the same topics as the interviewers, but on top allows the respondents that have cameras to shoot a message to Tesco in the form of a simple video. This solution is more flexible, it forwards the claims and positive feedback to the respective store faster, the results are available in the shorter time and the potential impact of the interviewers is eliminated.

In order to successfully change the way of gathering the customer feedback it was necessary to navigate the respondents to the respective microsite. Online way of the research was promoted on advertisement in Tesco stores and in the leaflet. The participating rate of 50 respondents per store in average is slightly below the rate achieved by personal interviews, but it is sufficient to assess store performance. The simplicity of the questionnaire and motivating the respondents who can collect extra Clubcard points and have a chance to win 150€ are supporting online study.

The biggest advantage of modern online research on Tesco customer feedback on service is the increased flexibility and speed, objectivity as each respondent reads the same questions, customer reward and chance to win and mainly much lower cost. The initial investment into the development of online platform and robust advertising in the stores was offset by lower maintenance fees compared to the labor cost of the interviewers. The change in research process, the advantages of online platform was shared with the headquarters. The positive cost-benefit analysis inspired Tesco in the other countries within the Region to follow the new way and change to electronic research. Czech republic, Hungary and Poland implemented online research with its design and set up and also the advertising campaign including the motivation of the customers with extra Clubcard points and prize. Nowadays, Tesco in Central Europe collects the customer feedback online, thus saves the cost that could be invested into the better service for the customers.

Tesco is the biggest retail chain in Slovakia. It runs two central warehouses that supplies the products to its 180 shops within the country. The majority of the stores are big hypermarkets having an area of several thousands m<sup>2</sup>. The assortment is managed in a way that all customers have an access to the products of the same quality and at the same price level. The price pressure

and the request for huge stock volume are in favor of international suppliers that can guarantee constant stock level and stable prices. On the other hand, the range from the local producers is very limited which is heavily commented by the third parties and the authorities.

Tesco, as the market leader, initiated the program that brings the product from local manufacturers onto its shelves. The commercial team established a pilot with local producers of fruit and vegetable, meat and provision, fish, dairy and bakery. After the contract sign off they were allowed to supply their products directly to Tesco stores in their region. Few shelves were dedicated to the products of local small and medium food producers. Furthermore, communication campaign that supported the sale of the goods of Slovak origin was created by Tesco and was run in media and also in the stores and Tesco leaflet.

The project made the products of local food producers available in Tesco stores next to renowned international food brands. The regional producers appreciated an opportunity to deliver their products to Tesco stores. The project supported positive Tesco image, increased the awareness of social responsibility of the chain and its relationship to the local communities. This approach was very much welcome also by the authorities, Ministry of Agriculture.

The project on cooperation with regional producers was explained to the headquarters in the Czech republic. The success of the project that strengthened the credibility of Tesco brand made other Central European countries introduce it locally. Czech republic, Hungary and Poland replicated marketing materials, copies while them adjusting according to local context. Know-how related to the management of dozens of local producers and the way of handling increased logistics complexity stood for the greatest knowledge benefits they received. The business cooperation with the small and medium producers was in each country well received and contributed to strengthening Tesco market position.

The three cases of marketing processes stand for the successful projects that delivered positive results: advertising materials with positive impact on the customers, the savings on customer satisfaction research, widen range thanks to offering the goods from the local producers that is broadly appreciated. The tangible benefits that are captured in the research results and the cost saving made Tesco in the other countries introduce the same initiatives. The detailed information about the projects and their outcomes were presented to the headquarters, communication was done via e-mails, phone calls, videoconferences and also personal meetings. Reverse knowledge transfer helped other countries launch attractive projects at minimal costs and benefit from their positive effects.

## **4 Conclusion**

Tesco has an organizational structure that covers four countries which promotes cooperation on a regional level. The organization supports knowledge exchange and knowledge utilization in the region. The knowledge flow is supported also by modern technical equipment that is available to all employees. The sharing culture is incorporated in the company values and many employees also from lower hierarchy levels are part of international teams. Tesco marketing strategy emphasizes synergies and commonalities, which does not necessarily mean that all of the campaigns are developed solely by the headquarters. The initiative and creativity of local marketing teams is adding to central ideas – Slovak team is adequately active.

The reverse transfer cases suggest that unique marketing activities are being developed when the desired practice is missing within the organization. The generation of new knowledge is

supported by willingness of local staff to advance the existing way of working and by the ideas coming from the external environment. We showed that Slovak knowledge can help the whole multinational when being utilized by the other subsidiaries. Our study is in line with the research organized on 293 subsidiaries of Italian multinationals by Mudambi et al. (2013), that implies the greater the cost imposed on the MNE by the non-use of the subsidiary's competencies the more effort the headquarter is willing to undertake to acquire knowledge while conceding power and influence to the subsidiary.

Marketing ideas from Slovakia may drive innovations which are transferred to the parent company and other subsidiaries and improve the customer service and competitiveness of the corporation. Even if marketing has often to take the local context into the consideration, the cases prove that some principles are universal, thus could be transported to the other markets. In Tesco case the headquarter has facilitator role and coordinates knowledge flows.

When studying reverse knowledge flows, it is recommended to watch the effectiveness and the benefits for all involved parties. In our cases all of the recipients enjoyed the same positives as knowledge donor, moreover they avoided the development costs. The process of reverse knowledge transfer did not require substantial cost, only affordable amount of time for communication of the cases. Slovak marketing team did not gain reward or acknowledgement due to sharing of their knowledge since knowledge exchange is treated as daily routine. Reverse knowledge transfer increases knowledge base of the company and in case of Tesco the balance between getting and giving is achieved.

Knowledge which is suitable for the other subsidiaries is worth sharing. Such ideas can initiate or represent the final solution for the other organizational unit. The management are often able to reveal the potential of new knowledge and the possibilities to utilize it elsewhere with or without necessary adjustment. We aim to further study the situation of reverse knowledge transfer from Slovak subsidiaries to their parent companies abroad to understand which knowledge they are contributing to the organizations. The initial cases indicate that the subsidiaries from Slovakia do add to corporate knowledge base thus support the overall performance.

## References

1. BORINI, F. M., et al. 2012. The reverse transfer of innovation of foreign subsidiaries of Brazilian multinationals. In *European Management Journal* [online database]. 2012, vol. 30, no. 3, p. 219-231. Retrieved from: scholar.google.com [Accessed 01 October 2016].
2. LUCAS, L. M. 2006. The role of culture on knowledge transfer : the case of the multinational corporation. In *The Learning Organization* [online database]. 2006, vol. 13, no. 3, p. 257-275. Retrieved from: ProQuest Research Library [Accessed 01 June 2016].
3. MUDAMBI, R., PISCITELLO, L., RABBIOSI, L. 2013. Reverse Knowledge Transfer in MNEs : Subsidiary Innovativeness and Entry Modes. In *Long Range Planning* [online database]. 2013, vol. 47, no. 1-2, p. 49-63. Retrieved from: ProQuest Research Library [Accessed 06 October 2016].

**Contact data:**

**Prof. Ing. Soňa Ferenčíková, PhD.**

Vysoká škola manažmentu v Trenčíne/City University of Seattle

Panónska cesta 17

851 04 Bratislava, Slovenská republika

[sferencikova@vsm.sk](mailto:sferencikova@vsm.sk)

**Ing. Jana Hrdličková**

Vysoká škola manažmentu v Trenčíne/City University of Seattle

Panónska cesta 17

851 04 Bratislava, Slovenská republika

[hrdlicka@upcmail.sk](mailto:hrdlicka@upcmail.sk)