

Creation and Diffusion of Knowledge in the Global Firm

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Abstract :

This study documents new stylized facts on where and how knowledge creation and diffusion take place in multinational firms and shows that differences in time zones between headquarters and subsidiaries matter for knowledge flows beyond the effects of distance. The data show that (i) knowledge creation, as measured by patents, is increasingly conducted in cross-border collaborative teams of inventors within multinationals, (ii) a large share of patenting activity takes place in foreign affiliates, and (iii) inventors have become more mobile over the last three decades. An econometric analysis shows that a higher overlap in business hours is associated with increased cross-border collaboration, more within-firm citations, and greater inventor mobility.