

Integration between HQs of GCC Islamic Banks and their Subsidiaries in Malaysia: A Knowledge Transfer Perspective

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ABSTRACT

Islamic banking and finance have been watched vastly in both the GCC's and Malaysia's financial system.. However, these GCC Islamic banks subsidiaries have been the going through tough, strapped by paltry returns and stymied by fierce competition from the local banks. The future of these GCC subsidiaries in Malaysia is being scrutiny through by when their headquarters back home is reaping a much higher return on equity. Thus, this study is conducted to investigate the integration between headquarters of GCC Islamic banks and their subsidiaries in Malaysia. Five large GCC Islamic banks subsidiaries in Malaysia were identified to document the integration between headquarters of these banks and their subsidiaries. The data of this study were collected through sending out questionnaires to subsidiaries of GCC Islamic banks in Malaysia, as well as conducting semi-structured interviews with the top managements of these banks and through reviewing, tracking and comparing the information of their past and current from literature works to report the impact of integration on knowledge transfer. The results show that the GCC Islamic banks subsidiaries in Malaysia are at the moderate level of integration on knowledge transfer. The two factors which are the level of integration and friendliness role in knowledge transfer significantly influence the integration between subsidiaries and the headquarters. The findings result in developing a conceptual unifying model of knowledge transfer between Islamic banking and financial services within Islamic banks and provide impetus for future empirical testing.

Keywords: GCC Islamic banks, Malaysia, integration levels, friendliness and knowledge transfer.

1. INTRODUCTION

The significant global integration is under way in the banking industry and in the next years, individual banks will expand their reach into many countries. Likewise, several observers expect that many national banking markets will develop large foreign components; as that happens, the nationality of a bank in such a market will matter little to prospective customers by Berger et al., (2003). Financial services integration in the Asia-Pacific region is at an early stage. With recent liberalization and deregulation efforts, many spurred by the Asian economic crisis (Skipper, 2000). Paradoxically despite this recognition subsidiary management research has not yet uncovered how subsidiary managers should develop knowledge transfer process which reflects the integration with HQ and there is an expectation on subsidiary management to create knowledge and innovation and develop their mandate (O'Brien, 2011). Whereas, Islamic banking and finance services between the GCC countries and Malaysia have entered into an optimistic phase as mentioned by Ab Rahman et al. (2009); Abu-Hussin et al. (2011); Abu-Hussin (2010); Haider (2007). With the growing demand for the Islamic financial services from investors, traders as well as consumers. As stated by Kim-Soon et al. (2016) there are now 5 Islamic banks subsidiaries from the GCC countries investment in Malaysia. This is due to its popularity of being the Islamic financial hub in the South East Asia. It is the main target for GCC Islamic banks for providing Islamic finance services to the region. Knowledge transfer practically recognized with inbound and outbound flows which indicates knowledge moves or being transferred from headquarters to subsidiary or conversely, which is the knowledge going from subsidiary to headquarters to achieve the integration (Abdullah et al., 2013). This research paper aims to investigate the role of knowledge transfer in the integration between HQs of GCC Islamic banks and their subsidiaries in Malaysia.

2. LITERATURE REVIEW

Over the past four decades, states (countries) have become much more integrated financially, in many instances through out-of-state (foreign bank) entry. For example, banking deregulations in the US have led to the emergence of financial conglomerates that can now operate unhindered within the 50 states of the Union (Dincbas et al., 2015). A similar trend is also observed for the recent development, apparently, Malaysia has been successful in attracting GCC investors to put their money in its economic development. Indeed, Gulf's investors, are a major contributor to the project's development. Apart from a government incentive and the country's attractiveness, this new emergence of huge GCC investment in Malaysia has also been contributed to the financial facilities, especially the Islamic Finance institutions which have been widely established in Malaysia either local Islamic Banks or foreign Islamic Bank particularly from GCC (Mohammed and Kim-Soon, 2016).

Although many researchers have attempted to investigate the effect of HQ control on subsidiary performance, these efforts have yielded conflicting empirical results. Interestingly, even studies of foreign subsidiaries located in the same country have produced conflicting findings. However, however not reveal much about the effect of the integration between the HQ and the subsidiary (O'Brien, 2011).

In comparison to earlier studies, the results of Harzing and Noorderhaven, (2006) show an increased differentiation between subsidiaries, as well as an increase in the relative importance of both knowledge and product, flows between subsidiaries suggesting that MNCs are getting closer to each other more than headquarters. Some important effects of MNCs in a host country, beyond those on employment and value added creation, are those linked to the possibilities of knowledge transfer to and from host economies, via the technological diffusion generated through supply chain relationships and the embodiment of technology in goods and services (Cantwell and Alvarez, 2011).

Nowadays, competitive advantage increasingly depends on the control over intangible resources rather than tangible resources (Hall, 1992). One of the firm's intangible resources is knowledge. The idea of knowledge transfer, especially between the headquarters and subsidiaries of MNCs, has gained momentum in recent years due to globalization of the economy and rapid growth in information technology (Jung-Chi, 2006) and (Huysman et al., 2006), increase in knowledge based organisation supported by Aliei et al., (2011) and increase in competitive pressure (Kazmi and Hasiri, 2002). Saturated domestic markets have led firms to seek growth opportunities in foreign markets, particularly in emerging economies with significant economic growth and market potential.

With the advent of knowledge-based economy in the international literature, knowledge transfer is defined as the process by which knowledge travels from a knowledge holder (a person, organization or country possessing the knowledge) to a knowledge recipient through one or many transfer channels including human capital mobility, absorption capacity, integration, FDI, patent, link with academy, producer-consumer two-way knowledge transfer, by Nour, (2003) and Nour, (2014). Many studies in the international literature provide general surveys of the

channels and impact of international knowledge transfer, international technology transfer, technology transfer through FDI.

Multinational corporations are enterprises which engage in foreign direct investment and own value-adding activities in many countries 6. MNC has its management headquarters in a country which is known as the home country and operates in other different countries, known as the host countries, by Porter, (1990). It involves many approaches such as participation in management, joint-venture (JV), transfer of technology and, expertise in delivering products and services globally (Moosa, 2002). To become a market leader in the global market, headquarters have to develop greater understanding of global customers and competitors through its subsidiaries, in order to be integrated. Furthermore, developed knowledge of customers in host countries enables the headquarters to increase knowledge of competitors operating in global markets. In addition, it enables the headquarters to offer products that are differentiated from those of its competitors. Moreover, increase in knowledge transfer is expected to provide the headquarters with more exposure to diverse knowledge associated with different host markets which leads to creative outcomes, cited by Abdullah et al. (2013).

The integration between headquarters and subsidiaries contribute towards relational knowledge which can create the competitive advantage for the company. Subsequently, it is imperative for managers to understand the role of knowledge transfer between the headquarters and their subsidiaries in achieving the competitive advantage (Lee et al., 2008). On the other hand, the manager at the subsidiary is also considered to deliver messages between the headquarters and the employees. The performance in the subsidiary also affect the performance in headquarter directly as stated by Andersson et al., (2002). Simultaneously, subsidiaries also contribute many innovative and creative ideas that are expected to encourage its performance enhancement. More communications and sharing of knowledge between the headquarters and subsidiaries will minimize the gaps in order to achieve the optimal performance.

Accounting for the lack of research done in the field of knowledge transfer in international banking, the conceptual framework of Schlegelmilch and Chini, (2003) is modified in order to develop an explanatory model of knowledge transfer within multinational financial institutions. The basic model intends to explain what influences the effectiveness and benefit of knowledge transfer and how the actual process occurs. In order to allow for the particular situation of knowledge transfer within the integration two variables, namely friendliness and level of integration (Birkinshaw et al., 2000), are included in the model. Besides the organizational and cultural distance of the respective subsidiary primarily the developed knowledge transfer capabilities influence the effectiveness of knowledge transfer, cited by Haiss and Schellander (2010).

3. METHODOLOGY

In order to address the main research objective of this research paper and to understand the socioeconomic phenomena of knowledge transfer in Islamic banking within its real life context, five in-depth case studies of GCC

Islamic banks subsidiaries in Malaysia have been conducted. Allowing for the complexity of the research issue, exploring each case's knowledge transfer experiences made the integration of the subsidiaries deepen the insight into the field of knowledge transfer in banking. The headquarters of these banks are located in Gulf Cooperation Council countries namely United Arab Emirates, State of Bahrain, Kingdom of Saudi Arabia, Sultanate of Oman, State of Qatar and the State of Kuwait. The bank's names are Al Rajhi bank, Kuwait Finance house, Asian Finance bank, Alkhair International Islamic bank and RUSD Investment bank.

Firstly, the variables in this study were measured using survey questionnaire with 5 point Likert Scales of no or little extent to very great extent. The questionnaire was developed based on the scale used in previous related studies. To ensure the reliability of the questionnaire, the variables have a Cronbach Alpha value of more than 0.9 as shown in table 1, which is very strong, where the minimum value required confirming the reliability of the survey questionnaire is above 0.7 stated by Cavana et al. (2001).

Table 1: Cronbach Alpha value for each used variable

Test of Items reliability (Integration)		
No	Variables	Cronbach's Alpha
1	Level of integration	.953
2	Friendliness	.947

The population of this study consists of the executives and managers working at the banks. Only executives and managers were chosen because they are the one who usually communicate with the headquarters and involve in knowledge transfer activities. However, upon early screening, all 5 questionnaires are usable and therefore, the questionnaire return rate is 100%. For data analysis, this study chooses the statistical package for social science (SPSS). Thus, two variables are proposed: level of integration and friendliness. Secondly, an interview protocol was prepared to investigate and verify the answers of the questionnaire. The interviews were conducted with the respondents who are the main executives or a board member nominated by the main executive in the GCC Islamic banks subsidiaries in Malaysia.

4. RESULTS

Structured questionnaire was important for the availability of data for making empirical analyses based on statistics. Then, a crucial strength of 'face-to-face survey' was the possibility to provide better understanding on the questionnaire's answers through clarifications, detailed information, and examples provided by the respondents. Therefore, after presenting the questionnaire's results, it might be useful reviewing the most important findings from the 5 interviews with the respondents.

Responses to the survey were obtained from 5 GCC Islamic banks subsidiaries in Malaysia. These banks have a

number of branches operating in different states in Malaysia. The five questionnaires were sent to the main branch located in Kuala Lumpur. Descriptive data (mean values, standard deviation, and the trends) on all variables are provided in Tables 2 and 3.

According to Table 2, the questions or items have the mean range of between 2.80 and 3.40 which indicates a medium of central tendency level. The average mean score for the level of integration is 3.12 which indicates a medium level of central tendency towards integration between headquarters of GCC Islamic banks and their subsidiaries in Malaysia. Hence, generally the results of the first test found that the integration between HQ and subsidiary is at an average level.

Table 2: Levels of argument for the integration between HQ and subsidiary

Level of integration	Scale	Very easy	Easy	Moderate	Difficult	Very difficult	Mean	Std. Deviation	Result
1. Level of difficulty to codify knowledge (i.e. articulate, express in writing)	Frequency	0	1	4	0	0	2.8	.44	Moderate
	Percent	0	20	80	0	0			
2. Level of knowledge complexity	Frequency	0	1	1	3	0	3.4	.89	Difficult
	Percent	0	20	20	60	0			
3. Level of difficulty to transfer knowledge (how difficult is it to transfer knowledge to another members)	Frequency	0	1	2	2	0	3.2	.83	Moderate
	Percent	0	20	40	40	0			
4. Level of integration in helping to achieve the efficiency of Islamic financial knowledge transfer	Frequency	0	2	1	2	0	3.0	1.0	Moderate
	Percent	0	40	20	40	0			
5. Level of integration in going through channels and processes to achieve the efficiency of Islamic financial knowledge transfer	Frequency	0	1	2	2	0	3.2	8.3	Moderate
	Percent	0	20	40	40	0			
Final result	Frequency	0	6	10	9	0	3.1	.79	Moderate
	Percent	0	24	40	36	0			

Source: Research Findings (2017)

While, Table 3 shows that the high central tendency level with the mean score of 3.80 where the headquarters can rely on the Malaysian subsidiaries. The average mean score for the friendliness is 3.24 which had a medium level of central tendency towards integration between headquarters of GCC Islamic banks and their subsidiaries in Malaysia. For this reason, the results of the second test found that the average scale is 3.2 as a moderate extent based on Likert Scale of 1 to 5.

Table 3: Levels of argument for the friendliness between HQ and subsidiary

Friendliness	Scale	No or little extent	Some extent	Moderate extent	Great extent	Very great extent	Mean	Std. Deviation	Result
1. GCC Islamic bank headquarter shows a great deal of integrity	Frequency	0	0	3	2	0	3.4	.54	Great extent
	Percent	0	0	60	40	0			
2. Headquarter can rely on Malaysian subsidiaries	Frequency	0	0	1	4	0	3.8	.44	Great extent
	Percent	0	0	20	80	0			
3. Overall, GCC Islamic bank headquarter is very trustworthy	Frequency	0	0	3	2	0	3.4	.54	Great extent
	Percent	0	0	60	40	0			
4. Malaysian subsidiaries and GCC headquarters are considerate of each other's feelings	Frequency	0	0	4	1	0	3.2	.44	Moderate extent
	Percent	0	0	80	20	0			
5. GCC Islamic bank headquarter maintains close social relationships with Malaysian subsidiaries	Frequency	0	0	3	2	0	3.4	.54	Great extent
	Percent	0	0	60	40	0			
6. HQ spends a lot of time interacting with your Malaysian subsidiaries	Frequency	0	2	2	1	0	2.8	.83	Moderate extent
	Percent	0	40	40	20	0			
7. HQ knows your Malaysian subsidiaries on a personal level	Frequency	0	2	1	2	0	3.0	1.0	Moderate extent
	Percent	0	40	20	40	0			
8. HQ has frequent communication with your Malaysian subsidiaries	Frequency	0	2	1	2	0	3.0	1.0	Moderate extent
	Percent	0	40	20	40	0			
9. Friendliness helps to achieve the efficiency of Islamic banking and financial knowledge transfer	Frequency	0	1	2	2	0	3.2	.83	Moderate extent
	Percent	0	20	40	40	0			
Final result	Frequency	0	7	20	18	0	3.2	.68	Moderate extent
	Percent	0	15.5	44.4	40	0			

Source: Research Findings (2017)

To the case studies of the integration between the banks, the questionnaire sent out to 5 GCC Islamic banking groups' subsidiaries in Malaysia helps answering the research questions and tests for the applied model of knowledge transfer. The survey discovers factors influencing the integration of knowledge transfer in banking. (Haiss and Schellander, 2010) emphasize the complex requirements of empirical banks research and the lack of objective measures for studies of knowledge flows.

This paper places an emphasis on a perceptual approach, i.e. the proposed variables of the model are measured via the indicated self-perception of subsidiary top managers and experts who participated in the research survey. The target population for the questionnaire consists of bank top management in Islamic subsidiary banks in Malaysia owned by GCC Islamic banks. Since the focus of the investigation lies on know-how transfer within the integration, an important condition for the participation in the survey is that the subsidiaries have not been newly established. In total 5 questionnaires were answered. The questionnaire answers as appeared in the tables above.

After highlighting the role of knowledge in international banking integration, the first theory proposition is established refers to the competitive advantage in emerging market economies by foreign banks. Foreign banks are supposed to have advantages compared to their host country competitors. Results of the questionnaire for the first part of the survey questions ask about integration levels of Islamic banking and financial knowledge between HQs of GCC Islamic banks and their subsidiaries in Malaysia.

Respondents consider that moderate level integration knowledge is operated in their subsidiaries. Respondents also indicated that the level of knowledge complexity is difficult, as illustrated in table 2. Whereas, the second part of the survey questions ask about to what extent is the level of friendliness acquisition of Islamic banking and financial knowledge from HQs of GCC Islamic banks to their subsidiaries in Malaysia. The respondents rated that moderate extent levels of friendliness were acquired. However, about almost half of the answers show that great extent levels of friendliness were the GCC Islamic bank headquarters are offering, as illustrated in table 3.

In order to address the main research question of this paper and to understand the socioeconomic phenomena of knowledge transfer in banking within its real life context, five in-depth case studies of prominent GCC Islamic banks subsidiaries in Malaysia have been conducted. Allowing for the complexity of the research issue, exploring each case's knowledge transfer experiences made for the integration.

The described results from the interviews are present know-how transfer methods that have been developed over the ongoing expansion of the banks. The investigation have led to a major understanding about the integration process which was not pursued with the same vigour as in other cases, perhaps because the headquarter managements were sensitive to the subsidiary employees, but the common systems and reporting standards were established in the integration mechanisms identified in the worksheet. Interestingly enough, the two variables are

existed and used.

At the time of the integration at the banking, markets showed relatively low levels of intermediation and both target banks ranked among the biggest players in their countries' financial sector. The names of the banks remain confidential due to data protection. Data for the case studies was collected via semi-structured interviews that were conducted with representatives of executives or a board member nominated by the main executive.

Table 4: Interviews profile

No	Banks Case Study	Interviewees Case Study
1	Bank A: One of the ranked GCC Islamic banking groups; established in Malaysia before 10 years.	I _A : The chief financial officer (CFO), chief financial and operating officer.
2	Bank B: One of the top-ranked GCC Islamic banking groups; pursues an active expansion strategy in Malaysia before 12 years.	I _B : Head of products development department.
3	Bank C: One of the top-ranked GCC Islamic banking groups; has started expansion in Malaysia before 12 years.	I _C : Treasurer, senior vice president.
4	Bank D: One of the best Islamic investment banks was established in Malaysia before 12 years.	I _D : A chief financial officer (CFO) the senior executive.
5	Bank E: Top market player in its home country, as this large bank was established in Malaysia before 10 years.	I _E : Head of Shariah Division, coordinator for management of Bank and Bank's Shariah Board.

To start with, the perceptions of the integration between hqs and subsidiaries, the initial analysis showed that the level of integration between headquarters of the GCC Islamic banks and their subsidiaries in Malaysia is scaled as a moderate while the friendliness level of integration scaled is as a moderate extent based on the survey questionnaire results.

At first, the focus interest is on the level of integration given by the HQ to the subsidiary. We basically want to understand to what extent the GCC Islamic bank-based HQ provides any kind of knowledge resources to its Malaysian subsidiary bank in order to promote the knowledge transfer process. We do not refer only to knowledge complexity, but we also consider on how difficult is to transfer knowledge to other members within the subsidiary.

First of all, all of the interviewees agreed on the trends of the questionnaire answers, and the interviewees assured that the banks subsidiaries are standing at the moderate level of integration. Whereas IA explained, headquarter did not use to provide efforts during the early establishment, information and reports were prepared and reviewed during monthly program review meetings held with the management board but of little or no avail. Recently, the situation has changed for the better where a common platform for communication and the storage of information is set up in form of an e-room. IC expounded, the bank is not majority owned, and otherwise, the subsidiary performance sure will be much better.

Also, commented that there was ‘an absence of clear leadership from headquarters during the last five years due to changing the CEOs most of the time. In addition, the net result was a stalled integration process, but if there will be a concentrate on knowledge transfer it will make an attempt between the headquarters and subsidiaries to work with one another in synergistic ways.

When knowledge has transferred from headquarter to the subsidiary, it was needed to be successfully applied and practiced in the local market. ID expressed that there will be huge advantages if models of knowledge to be transferred are well running to be implemented by subsidiary banks. IE emphasized that there are achievements and success for employees in the subsidiary that is developed best practices together with the group.

In addition, the process of integration is still a stalled, but if there will be a concentrate on knowledge transfer it will make an attempt between the HQ of the GCC Islamic bank and the subsidiary in Malaysia to work with one another in interactive ways.

Eventually, the combination of integration and knowledge transfer models is supported by autonomy and it will provide the transfer of innovation from a subsidiary to the local market.

Major difficulties that were noted by the interviewees referred to the coordination of the various integrations, different organizational cultures and the acceptance of change by the employees of the new subsidiary. Moreover, the integration process was not pursued with the same vigour as in other foreign direct investments.

As with most open-ended questions, the analysis and evaluation of responses from the first set of interview questions were challenging, after taking some liberties in interpreting and categorizing those responses.

Nevertheless, Table 5 summarizes the opinion of respondents toward the integration between GCC Islamic banks’ headquarters and their subsidiaries in Malaysia.

Table 5: Opinions of respondent banks toward integration between HQ and subsidiary

		Opinion	Deduction	Concluding Remarks
Level of Integration	Bank A	Not highly pertinent, but continues engagement do take place.	i. GCC Islamic banks' subsidiaries in Malaysia are not considered autonomous. ii. Little efforts are provided by HQs. Also, attention and trust are lower or non-existent. iii. Technological solutions that enable managing knowledge related activities such as knowledge integration are not available at HQs.	i. Integration is essential to reduce the perception of uncertainty and to give HQs greater confidence and credibility in the Malaysian subsidiaries' actions. ii. Integration stimulates HQ into giving greater support for introducing Islamic banking products in the subsidiary, and to improve the understanding of transfer knowledge from HQs to their Malaysian subsidiary for the integration.
	Bank B	Few efforts are provided but relatively slow.		
	Bank C	Different level of banking technology.		
	Bank D	Different level of banking technology.		
	Bank E	Less efforts provided by the headquarter management, except for Shariah knowledge, because the transfer level of complex knowledge is critical to the Islamic bank growth. However, the complexity of knowledge renders this process difficult.		
Friendliness	Bank A	Being a small set-up, connection is very open and frequent.	i. Reduce the perception of uncertainty and improve the understanding of transfer knowledge from GCC Islamic banks' HQs to their Malaysian subsidiary is very important for the integration. ii. Interaction, communication, attention and trust are important factors for subsidiaries to be autonomous and to introduce new Islamic banking products in the host country market.	iii. In order to allow for the particular situation of integration in knowledge transfer other two variables, namely trust and attention should be included in the model.
	Bank B	The attention and trust are lower or non-existent to introduce new Islamic banking products in the subsidiary.		
	Bank C	There was a receptive attitude but subsidiaries had been neglected by HQs.		
	Bank D	No frequent communication provided, and the friendliness was unwelcome. Conversely, HQ relies on the subsidiary, and the Malaysian subsidiary is almost working individually.		
	Bank E	It is about reducing the perception of uncertainty and to considerate of the relationship with the subsidiary.		

5. DISCUSSION

This research paper started with a review of the conceptual and the empirical studies that have contributed to the understanding of the integration for knowledge transfer. Accordingly, the review of the relevant literature showed that integration has been included as dependent variable in many empirical studies of knowledge transfer process, in line with Minbaeva, (2007).

The above results supported previous literature including Birkinshaw et al., (2000) and followed by Haiss and Schellander, (2010) that suggested in order allowing the particular situation of knowledge transfer within the integration two variables, namely friendliness and integration level are included in the model. However, in order to develop an explanatory model of knowledge transfer within multinational financial institutions, there must be other variables such as the organizational and cultural distance. In some cases, other researchers suggest that the strategic mandate of the subsidiary, as well as its ability to engage in knowledge transfer, have an effect on the development of knowledge transfer capabilities in terms of transmission channels, infrastructure, and processes. By their nature, the banks reach classifications are somewhat arbitrary. For instance, these banks have a strong Arab presence but do not operate under the Malaysian financial system like the local competitors. Nevertheless, all five banks are generally recognized as large, foreign banks. The findings are materially unchanged when the dividing lines between foreign and regional banks and between regional and local banks are altered. Overall, it is confident to state that the results are not an artifact of the definition of each bank reach yet. By applying the resource-based model of knowledge transfer strategy making to the subsidiary manager there is the potential to make important contributions to two streams of literature. From an international business perspective, considering the volume of subsidiary management research, it is surprising that up until now the underlying contributors and processes which drive subsidiary strategy have remained an unknown quantity. The knowledge transfer framework could unlock valuable insights, which have so far eluded researchers. For the integration field, there is an opportunity to apply knowledge transfer framework of strategy development to a specific and underexplored setting. These research opportunities represent the motivation behind this review, to highlight the potential of applying an existing framework to the emerging topic of subsidiary strategy. Ref to O'Brien, (2011)

Furthermore, this study report all sample statistics using only the subsidiary bank choice. "To what extent will knowledge be transferred from HQ to the subsidiary?" find that the results reported here are not altered by use of an alternative definition that includes the headquarter bank. This paper is related with different strands of the literature on integration and financial knowledge transfer. First, this research work is linked with the research on the knowledge transfer process given the financial development of countries. (Birkinshaw et al., 2000) shows that integration is a part and parcel of the international knowledge transfer model in the banking sector agreed with Haiss and Schellander, (2010). Others find that integration is a part of model that would be amended to transfer knowledge in organisations. If this is the case, the transfer of knowledge embedded in the activities benefits from connecting to managerial and technical staff in the foreign subsidiaries, through communication mechanisms.

Finally, the integration between headquarters and subsidiaries as proposed in this study is essential to reduce this perception of uncertainty and to give headquarters greater confidence and credibility in subsidiaries' actions. Consequently, this integration stimulates headquarters into giving greater support for investment in a subsidiary. There is a growing branch of the literature that pays special attention to the strategies of multinational companies and, in particular, to the role of subsidiaries in integration on an international basis. In recent decades, research results in the field have permitted researchers to improve the understanding of transfer of knowledge from HQs to subsidiaries and their integrations. The findings are interesting given that many researchers have offered excessive praise for the importance of integration and paid little attention to other determinants of the knowledge transfer process. On the other hand, the absence of the results on integration is in line with recent suggestions that while integration is an important determinant of knowledge transfer, it is not necessarily the only one.

6. CONCLUSION

Through the discussions on this research paper, it is easy to be observed the importance of knowledge transfer at MNC's. Since often is identified constraints mainly due the integration, competition for resources or ability to engage and cultural barriers etc, it's important to point out strategies and mechanisms that can be used by MNC's to improve their knowledge transfer capabilities between headquarters and subsidiaries.

This paper contributes to the growing literature on the integration for knowledge transfer and management in GCC Islamic banks subsidiaries in Malaysia. This current research work has attempted to further the debate on to what extent that integration is influencing the knowledge transfer process or how knowledge transfer plays a key role to achieve the integration between HQ and subsidiaries.

Concisely, this study has shown that two factors namely level of integration and friendliness role in knowledge transfer do influence the integration between subsidiaries and the headquarters. Further, this study has limitations that future study may address by other studies.

First, the questionnaires were distributed at five GCC Islamic banks subsidiaries in Malaysia and the respondent consists of executives. Future study may consider involving more banks as it can further validate the findings if the study involves firms from Islamic banking and finance industry. Furthermore, targeting top management of the banks that have experience in knowledge transfer will consolidate the research findings. Second, this study was conducted semi-structured interviews at the subsidiaries of GCC Islamic banks in Malaysia. The effect of integration might be different if the study is conducted in another environment at other countries. Therefore, there are many other factors that influence knowledge transfer that may either directly or indirectly influence the process of knowledge transfer and they are not highlighted in this study.

It includes factors such as strategic role, ability to engage in knowledge transfer, labour relations, organisational and cultural distance, etc. Further researches should be conducted to identify the effects of the above-mentioned

factors on knowledge transfer processes between the Islamic bank headquarters and subsidiaries.

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