

# **ANALYSIS ON KNOWLEDGE MANAGEMENT AND ITS IMACT ON MULTINATIONAL ORGANIZATIONS**

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## **ABSTRACT**

*Knowledge Management Systems are flattering part of the schema in numerous of today's organizations. This uniqueness includes the organization, measurement and knowledge flow. Therefore, staffing and training recompense systems in place to support the Knowledge Management Systems. Organizational factors manipulate Knowledge Management Systems intend and accomplishment includes the level of sources obligation by the organizations. Our paper suggests that multinational organizations adopt a specific type of Knowledge Management Systems for moderately long period of time. Imminent from the strategic structural process and change management literatures are exploited to look at the evolution between Knowledge Management Systems.*

**Keywords:** *Internationalization, Knowledge management, Knowledge transfer, MNCs and innovation*

## **I. INTRODUCTION**

“Knowledge management is essentially about getting the right knowledge to the right person at the right time. This in itself may not seem so complex, but it implies a strong tie to corporate strategy, understanding of where and in what forms knowledge exists, creating processes that span organizational functions, and ensuring that initiatives are accepted and supported by organizational members. Knowledge management may also include new knowledge creation, or it may solely focus on knowledge sharing, storage, and refinement.”

This is of particular significance because a growing body of research argues that organizations that have these knowledge transfer capabilities are more productive than those lacking those (Inkpen& Tsang, 2005). Thus, it is important to consider those practices or mechanisms that reduce the difficulties in transferring knowledge from one unit of an MNC to another. For successful knowledge transfer to occur there must be significant internal coordination in the sense of organizational capabilities that are consistent over time and that promote linkages across units. These dynamic capabilities consist of specific strategic and organizational commitments to particular practices and processes that enable the MNC to achieve new resource configurations (Eisenhardt& Martin, 2000).

“The overall objective is to create value and to leverage, improve, and refine the firm's competences and knowledge assets to meet organizational goals and targets.” Implementing knowledge management thus has several dimensions including:

- **KM Strategy:** Knowledge management strategy must be dependent on corporate strategy. The objective is to manage, share, and create *relevant* knowledge assets that will help meet tactical and strategic requirements.
- **Organizational Culture:** The organizational culture influences the way people interact, the context within which knowledge is created, the resistance they will have towards certain changes, and ultimately the way they share (or the way they do not share) knowledge.
- **Organizational Processes:** The right processes, environments, and systems that enable KM to be implemented in the organization.
- **Management & Leadership:** KM requires competent and experienced leadership at all levels. There are a wide variety of KM-related roles that an organization may or may not need to implement, including a CKO, knowledge managers, knowledge brokers and so on. More on this in the section on KM positions and roles.
- **Technology:** The systems, tools, and technologies that fit the organization's requirements - properly designed and implemented.
- **Politics:** The long-term support to implement and sustain initiatives that involve virtually all organizational functions, which may be costly to implement (both from the perspective of time and money), and which often do not have a directly visible return on investment.

## II. REVIEW OF LITERATURE

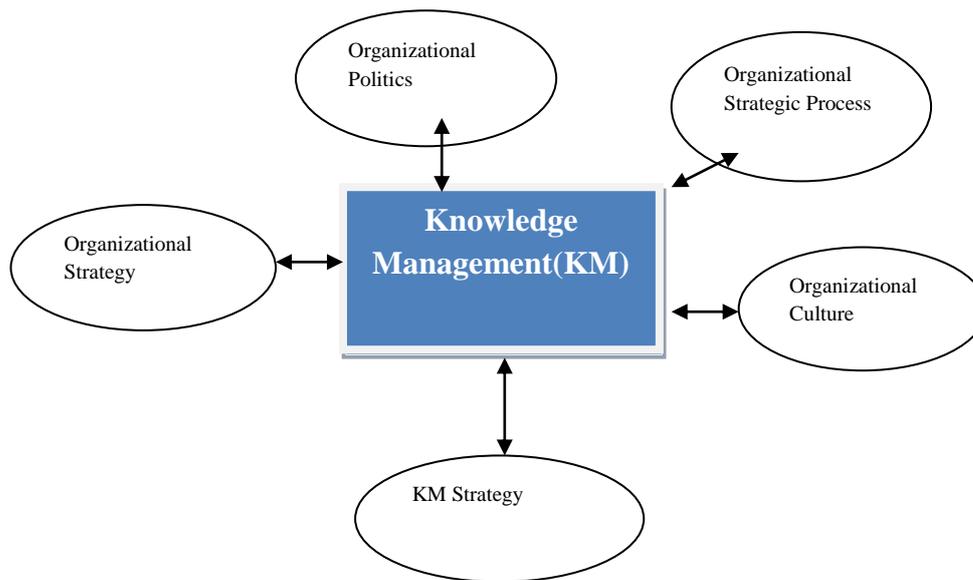
The concept of 'knowledge' and the concept of 'transfer' are difficult to define in precise terms. In regard to the former most scholars divide it into two types: that is explicit knowledge and tacit knowledge. The former is objective in the sense that it can be codified in for example scientific formulas and manuals, whereas the latter is subjective and experiential and therefore hard to formalize (Nonaka, 1994; Nonaka *et al.*, 2000). As explicit knowledge is easily transmitted it is readily imitated by competitors and therefore unlikely to be a source of competitive advantage. In contrast tacit knowledge, because it is non-codifiable, is difficult to assess from the outside and has therefore a stronger potential to generate distinctive competitive positions abroad. However, it is precisely tacit knowledge that is difficult to transfer particularly when the knowledge overlap between the source and recipient is limited.

### 2.1 Knowledge and the concept of transfer

Kogut & Zander (1992, p. 386) employ a similar distinction. They use the terms 'know-what' for relatively articulable knowledge, (i.e. explicit knowledge or information), and 'know-how' for 'the accumulated practical skill or expertise that allows one to do something smoothly and efficiently' (i.e. tacit knowledge). Gupta & Govindarajan (2000) have further elaborated this distinction by viewing 'know-how' as 'procedural' types of knowledge including: (i) marketing know-how, (ii) distribution know-how, (iii) packaging-design technology, (iv) product designs, (v) process designs, (vi) purchasing designs, and (vii) management systems and procedures. These contrast with 'declarative' types of knowledge such as monthly financial data. The focus of this paper is effectively on these forms of 'procedural' or 'know-how' types of knowledge [9].

As for the concept of transfer, in line with Bresman *et al.* (1999), we will use the concept of transfer of knowledge to refer to the accumulation or assimilation of new knowledge in the receiving unit. However, like Minbaeva *et al.* (2003, p. 587), we would also specify that: 'The key element in knowledge transfer is not the underlying (original) knowledge, but rather the extent to which the receiver acquires potentially useful knowledge and utilizes this knowledge in its own operations.'

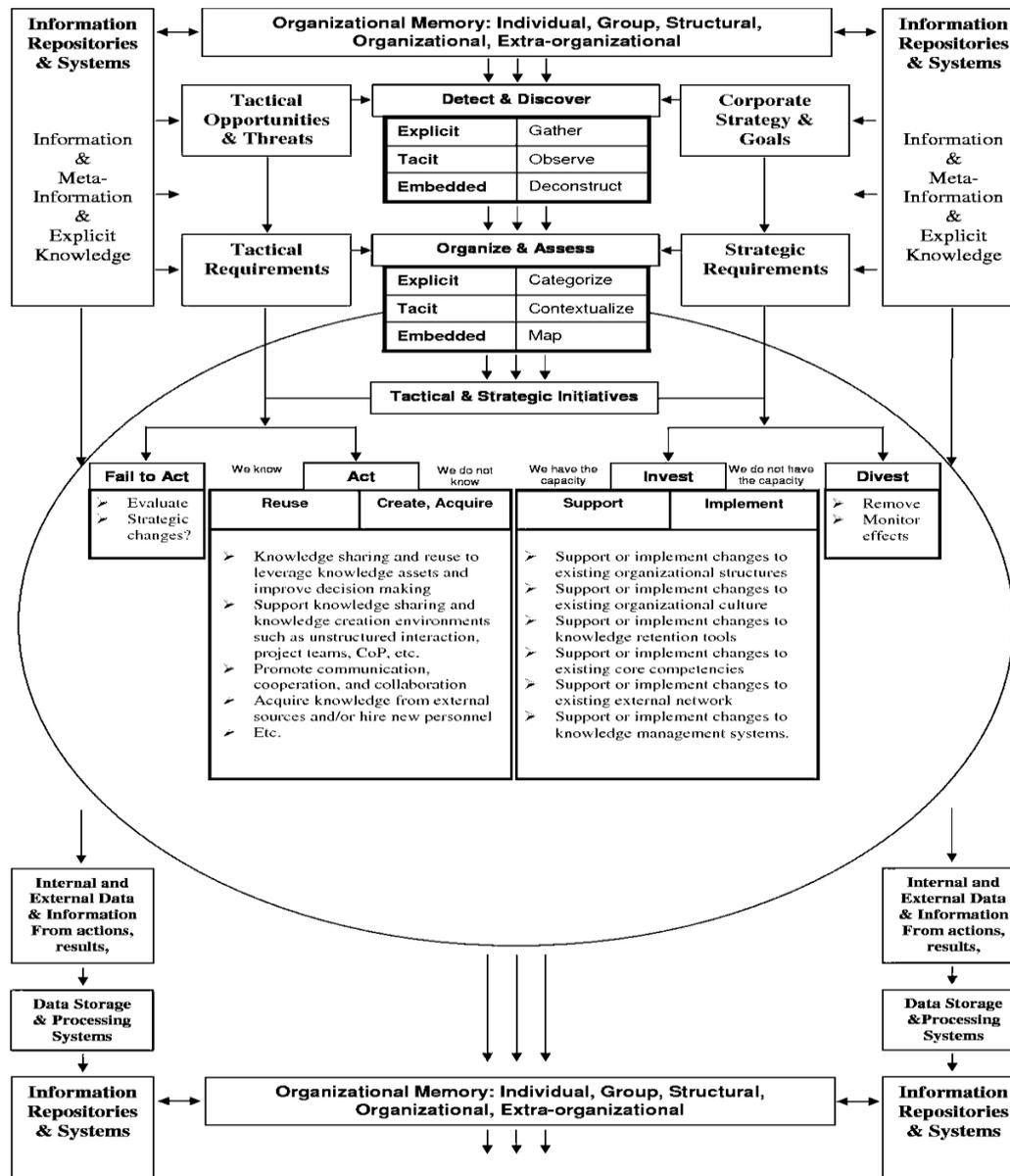
In other words for transfer to have taken place some change in knowledge or performance in the recipient unit must be involved (Inkpen & Tsang, 2005) [9].



**Figure 1: Strategic connection of Knowledge management**

### **III. AN INTEGRATED KNOWLEDGE MANAGEMENT MODEL**

“The integrated knowledge management model attempts to link both process and strategy, while offering specific initiatives at different stages. The model also outlines the relationship of information and information management systems to knowledge management.” (KM) [9]



Source: [9]

The dark elements represent KM initiatives; “the boxes represent corporate strategy, while the teal boxes depict data and information systems and repositories. The process is initiated from the tactical and strategic considerations, illustrating the way KM strategy goes hand in hand with corporate strategy. The non-bolded elements in the gray oval indicate the knowledge related processes that go on within the organization as it operates, and which management affects/enhances through its initiatives.” [9]

- **Detect & Discover:** Search for existing knowledge as well as hidden knowledge within information and data.
- **Organize & Assess:** Organization and assessment of knowledge assets. Knowledge is categorized, evaluated, and made easier to access (by providing maps etc.).
- KM Tactical initiatives:

- **Act - Reuse:**“If the firm can use existing knowledge to meet a tactical opportunity or threat, the role of KM is to identify this knowledge and enable it to be used. This means that if it is required by a different person/group, then KM is responsible for making it available to all relevant parties. Knowledge reuse thus combines the previous points on detection and organization with a new aspect: knowledge sharing.”
- **Act - Create/acquire:**“If the right knowledge resources do not exist, the firm may create or acquire them, assuming the right processes and systems are in place to support this. For example, the knowledge may be acquired from partners if the right relationships are in place. knowledge creation depends on the right internal environments that allow for combination and conversion of knowledge assets.”
- **Failure to act:**“This is not really a KM initiative in itself, but it does have some implications. In the event that a firm fails to act there is still a lesson to be learned. Management must evaluate if this is something that needs to be addressed in the future. This decision is fed back into the loop, affecting future strategic choices.”
- **KM Strategic Initiatives:**
  - **Invest:**“Support or implement. Here I refer to the organizational structures, culture, knowledge retention, competencies, external network, and systems that direct, affect, and/or enable the KM initiatives discussed above in the long term. Strategic initiatives may, for example, involve creating a knowledge sharing culture, restructuring the firm, establishing a beneficial partnership, or implementing a new IT system. If the right environment, system, etc. is already in place, management must make sure to continuously support it. It is important to note that some of these do not fall solely within KM, and they are all fields of study in their own right. However in this case, we are interested solely in the way these broader strategic initiatives shape the focus and direction of KM in the long term.”
  - **Divest:**“When knowledge assets become obsolete they need to be removed. KM is responsible for maintaining relevant knowledge assets.”

The differentiation between tactical and strategic initiatives should not be seen as categorical, and in reality projects and initiatives will often have mixed goals. The integrated knowledge management model itself should be seen as continuously looping, with new or modified knowledge and information being fed into organizational memory and information repositories each time.

Although this is called an "integrated" knowledge management model, it is not intended to be all-encompassing. Since KM is such a broad discipline, one could continue to add elements until the model was so complex that it had no meaning [9].

#### IV. FACTORS OF KNOWLEDGE MANAGEMENT IN A GLOBAL SCENARIO:

“The process of knowledge management and organizational learning cannot be examined separated from its context. Since the context factors have a strong impact on the process of knowledge management, the process and context of knowledge management are highly intertwined. In addition to the organizational (learning) environment, which also has to be considered in investigating knowledge management within a single organization and therefore will not be dealt with further in this article, with regard to knowledge sharing in multinational organizations special attention has to be paid on international and inter-organizational context factors.”

“Internationality, in particular, adds a new layer of complexity to the tasks of creating, transferring, applying, and exploiting knowledge.” (Macharzina et al. 2001) Generally spoken, differences in national and organizational cultures have two effects on the process of knowledge sharing. On the one hand they intensify at least some of the barriers to effective knowledge sharing (e.g. lack of trust, lack of communication) and on the other hand they add new hindrances - workforce diversity, a broad variety of cultural differences as such, language problems, just to name a few. Thus, they increase the challenge of implementing and maintaining a knowledge management system across national and organizational boundaries.”

## **Culture**

“Knowledge management in multinational organizations does not only mean to transfer knowledge across geographical and political, but also across cultural boundaries. Since culture impacts the behavior of people, managers have to know which consequences the existing cultural differences have in terms of the behavior of the employees. The way of communicating, for example, varies from culture to culture which is not only rooted in language differences but also in differences in style, time, gestures, stance, eye movement, and location. Also motivation is very culture specific. ”The key to effective motivation is identifying individual needs - and these will vary with people from different cultures.” (Buhler 1999) Especially in such a sensitive area as knowledge sharing, where communication and motivation to participate in the knowledge sharing process play a crucial role, cultural differences are supposed to have tremendous effects on the outcomes. As management practices cannot simply be transferred from one country to another without a cultural match, a multinational organization must ensure that its policies, programs, and opportunities are open to people of all cultures. This is not only true for the knowledge transferred in the knowledge sharing process but also for the knowledge management system itself.”

## **Language**

“Language (also nonverbal) is the carrier and conditioner of culture. As Macharzina et al. (2001) point out “language goes hand in hand with socially determined ways of perceiving and interpreting, that is, with ways of knowing”.

## **Workforce Diversity**

“With employees coming from all over the world, the workforce of a multinational company as a whole as well as of each of its subsidiaries usually is highly diversified. Consequently, it must be dealt with a veneer of racial, ethnic, religious, educational, social, and country-of-origin diversity (Marquardt / Reynolds 1994). Therefore all leadership functions including knowledge management functions have to be adapted to the wide range of existing differences.”

## **Global Mindset**

“As we described in the chapter on the process of knowledge sharing in multinational organizations the value attached to the knowledge existing in the partner organization at least partly depends on the cultural background. „Culture and particularly subcultures, heavily influence what is perceived as useful, important, or valid knowledge in an organization. Culture shapes what a group defines as relevant knowledge, and this will directly affect which knowledge a unit focuses on.” (De Long / Fahey 2000) Therefore, effective knowledge sharing in multinational organizations requires a world-oriented, geocentric, global mind-set, especially among those who have professional and managerial responsibilities. This global mind-set represents the need for sharing and

complying with local values and practices. One can no longer think in domestic terms, one must think in terms of global opportunities for the organization.” (Buhler 1999)

## **Organizational Culture**

“The establishment of a global mind-set goes hand in hand with the building of an integrative corporate culture. In order to make the knowledge transfer between organizations possible, differences in the organizational cultures involved have to be considered and have to be aligned as far as possible and processes have to be adapted to the remaining differences. Although it is not possible to form monolithic culture, mutual understanding and the willingness not only to tolerate existing differences but also to appreciate them as opportunity to learn can help to create an atmosphere in which employees at different locations work together and find a common way of doing things. This ideally results in a shared core set of beliefs and assumptions. In contrast to companies with ethnocentric cultures where local employees are supposed to adapt and internalize the meaning system of the foreign parent organization, global corporate cultures “characteristically have organizational members with a broad scope of thought that allows for systemic solutions going beyond those arrived through nationally defined perspectives” (Macharzina et al. 2001). In order to establish a global corporate culture, it is necessary to exchange norms, values, beliefs, assumptions, and knowledge, i.e. taking each other’s perspective. Since a great deal of these aspects of culture are tacit by nature and very hard to make explicit, to gain mutual understanding intense personal interactions over a lengthy period of time are required. Besides, a further characteristic of corporate cultures which are very effective in creating and integrating new knowledge is to demand broad participation in knowledge gathering and distributing information on the external environment.” (De Long / Fahey 2000)

## **Network Structures**

“The idea of network structures is somehow similar to the one of a global corporate culture because the centrality of parent headquarters is questioned also with respect to knowledge creation and transmitting. A network are characterized by dispersed assets, specialized operations of subunits, and consists of non-bureaucratic and non-hierarchical structures which allow for rapid information and knowledge diffusion and are assumed to be positively related with a high absorptive capacity. In network-oriented models of multinational organizations there is strong orientation towards the global acquisition and use of knowledge. “Knowledge about the whole company should be embedded in all parts of the multinational system” (Macharzina et al. 2001). Network structures also imply a specific role of top management, not control but enabling is the main challenge for top management in network oriented multinational organizations.”

## **V. CONCLUSION**

This paper discussed Knowledge Management models and reviewed an integrated knowledge management model. The integrated knowledge management model does cover the major requirements of a model as defined earlier. To recap, these are:

- Identification of needs
- Identification of knowledge resources
- Acquisition, creation, or elimination of knowledge related resources/processes/environments

- Retrieval, application and sharing of knowledge
- Storage of knowledge

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