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Management of Knowledge Transfer in Multinational Companies

Himanshu Bhardwaj*

Ph.D. (Management)

Abstract – Knowledge is ascribed a key role when explaining the existence and the growth of multinational companies (MNCs). The effective dissemination throughout the MNC organization of valuable knowledge acquired by its local affiliates is seen as an important source of competitive advantage. Knowledge differs in characteristics and so do the available transfer mechanism. As such, it is essential that the MNC employs the mechanism of transfer that suits the specific knowledge characteristics. The use of unsuitable transfer mechanisms may cause loss of knowledge in the process of transmission or may involve unnecessarily high communication costs – both with potentially negative effects on the performance of the MNC. Focusing on internationalization knowledge this large-scale empirical study explores the incidence and the performance implications of fit between knowledge characteristics and transfer mechanisms as used by MNCs. It is found that a substantial proportion of the observed MNC knowledge transfer transactions may be classified as ‘misfits’ and to some extent do these ‘misfits’ result in impaired performance of the MNC.

Keywords: Management, Knowledge Transfer, Multinational Companies, organization, important, performance, etc.

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INTRODUCTION

Knowledge has been perceived as a primary resource of organizations. Managing knowledge creation, transfer, and abuse will be progressively critical to the survival and achievement of corporations. A measure of research in the region of universal business demonstrates that globally dispersed knowledge transfer networks of firms constitute an essential wellspring of competitive favorable position for multinational corporations (MNCs). MNCs can determine extraordinary competitive preferred standpoint by overseeing knowledge flows between their subsidiaries. The management of knowledge in MNCs includes anticipating knowledge between various units of the organization, e.g. from the inside (home-base) to the outskirts (backup) or the other way around. That association among the units of a multinational participation will result in more transfers of inside created knowledge. It has been recommended that MNCs need to transfer one of a kind knowledge to the foreign subsidiaries to assemble competitive preferred standpoint and counterbalance a portion of the impediments of working in these outsider environments. One reason why MNCs exist is their capacity to transfer and adventure knowledge more effectively in the intra-unit context than through the business sector. Sharing of best practices, encounters and knowledge across subsidiaries will result in proceeded with upgrades in quality and diminished

costs. Knowledge is a company's just continuing wellspring of preferred standpoint in an undeniably competitive world. Knowledge transfer is of impressive advantage to the auxiliary operation, which regularly has a constrained knowledge base.

Knowledge Management in the Multinational Context: The changing business environment has made organizational knowledge a critical element of sustainable competitive preferred standpoint. Knowledge transfer assumes a critical role in the long haul presence of the organization: it has key importance. At the point when studying the knowledge management elements of multinational companies we can swing to the model which was produced by Marquardt and Reynolds (2004) about global learning organizations and which indicates extremely well how extensive is the assortment of factors that must be considered. They recognize three levels of knowledge transfer, for example,

- Individual and bunch level,
- Organization level and
- Global level,

What's more, every level extends the dimensions of the knowledge related attributes of multinational endeavors. In the learning processes of organizations

working universally, critical factors are area, the separation between the included units, political issues, the organizational culture of the company, attributes of the technique, structures and communication processes, dialect aptitudes or intercultural abilities of the leaders.

Transfer Knowledge Mechanisms: Transfer of knowledge between parent company and its subsidiaries is viewed as a critical issue and wellspring of competitive favorable position by numerous global business scholars. Genuine research emphasizes that the capacity to make and transfer knowledge inside MNC's is one of the fundamental competitive focal points of MNCs contrasted and their residential partners. Actually, Kogut and Zander (2003) contended that capacity of MNC's to transfer knowledge more successfully and effectively than the business sector is the primary explanation behind their presence. In MNC's the place knowledge is made in a few sections of the MNC and transferred to different interrelated units, called "separated networks".

Knowledge Transfer in Product Development: The knowledge transfer process in multinational companies is not a late attempt. The main studies on the subject go back to the 1960s, initially in view of hypothetical research on knowledge transfer and its coordination strategies, from creation to sharing. Research on the subject has become exponentially, augmenting the focus of the studies and uncovering variables that impact the knowledge management process and the quest for the factors that decide the adequacy of knowledge transfer. A few factors have been called attention to as being more imperative than others in this process, including absorptive limit, knowledge explicitness, auxiliary roles, and staff exchange. These factors impact the outline of knowledge-sharing patterns, and characterize the procedures embraced by multinational companies to lead their overall knowledge transfer processes. In the knowledge transfer process, the principle capacity of management is to set up the essential coordination for knowledge joining. The meaning of knowledge utilized as a part of this article depends on the idea recommended: "a liquid blend of dense experience, values, contextual information implanted in reports or storehouses, as well as in schedules, processes, rehearses and organizational rules".

REVIEW OF LITERATURE:

Knowledge transfer flows starting with one individual (the knowledge holder) then onto the next person (who secures it), and relies on upon the people's capacities and readiness to transfer it. It is significant that, on account of knowledge transfer between business units of a solitary partnership, the knowledge does not should be new to the company, but rather just to the getting unit.

Other than transmission, knowledge transfer includes obtaining also. knowledge procurement as the process

through which knowledge is gotten, the digestion of knowledge being molded by variables, for example, absorptive limit, inspiration of the beneficiary, and impetuses for the transmitter. Minor accessibility of knowledge does not involve transfer. The key component in knowledge transfer is not the wellspring of the first knowledge, but rather the beneficiary's view of the utility and relevance of this knowledge in its operations. As indicated by Garavelli, Gorgoglione and Scozzi (2002), the transfer process does not depend entirely on the intellectual attributes of the client that is the focus of the translation, additionally in transit it is offered to the client, spoke to by the codification used to portray that particular knowledge.

CONCEPTUAL MODEL AND DEVELOPMENT:

The conceptual model of the study seeks to establish the relationships between: (A) the characteristics of the internationalization knowledge as acquired by the MNC, (B) the mechanisms, or media, employed by the MNC in order to transfer the acquired internationalization knowledge across the organization, and (C) the performance implications to the knowledge transfer operation and the subsequent knowledge application in the MNC, see Figure 1.

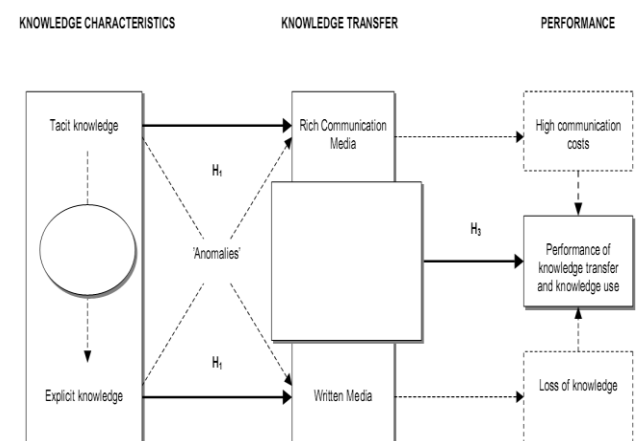


Figure 1: Conceptual model of the study

VARIOUS STUDIES:

According to Kerr and Clegg (2007) knowledge transfer is defined as dyadic exchange and transmission of the knowledge of an organization between the source of the knowledge and the recipient of knowledge. In the case of subsidiaries, an outward transfer of knowledge implies the transfer of knowledge from the subsidiary to the other corporate units as well as the headquarters of the firm, while the term inward transfer of knowledge implies the knowledge transfer towards the subsidiaries from the external as well as internet networks of the organization. Riege (2005) provides that knowledge transfer is effective and successful when the receiver of the knowledge has integrated and amalgamated the knowledge into the context of the unit and has used it. Lin (2007) argues that the

effectiveness of knowledge transfer depends on the perceived benefit as well as the extent to which the organization is satisfied with the concept of knowledge management.

Kwan and Cheung (2006) present a review of empirical studies, build on Szulanski's model and suggest a four-stage process model (including motivation, matching, implementation, and retention) in which determinants for success at each stage are defined.

Jennex and Fai (2007) investigate vertical knowledge transfers from multinational enterprises (MNEs) to indigenous Chinese suppliers and conclude that the type of knowledge transferred (technological or managerial knowledge) influences the relationship and cooperative activities between the actors.

Lindkvist (2001) develops a linear communication model adapted for intra-organizational communication between R&D projects based on the Shannon-Weaver model. Moreover, in this model, he adds the element "media" in which the transfer takes place and a feedback loop to enable two-way communication. Lindkvist continues by identifying and categorizing forms of knowledge transfer followed by identification and categorization of hindrances. Finally Lindkvist analyzes the effect from the organizational design on the knowledge transfer process.

Bhatt (2001) argues knowledge management is more than the capturing, storing and transferring of information and states it "requires interpretation and organisation of information from multiple perspectives".

CONCLUSION:

Transfer of knowledge at MNC's in international projects is an important source of competitive advantage and constitutes main reason of MNC's existence. Constraints can be observed mainly in the mechanisms used, human factor, competition for resources and ethical and cultural barriers in this process. For a long time theories on the existence and growth of MNCs and on the internationalization process of firms either assumed an almost frictionless intra-organizational knowledge transfer process, or considered the crucial internationalization knowledge to be extremely context-specific, thereby making the transfer process more or less futile. Hence, the knowledge transfer process was hardly an issue in the early versions of these theories. Since then, IB scholars have - inspired by organizational learning literature - gradually adopted a less deterministic and more sophisticated view on the knowledge transfer processes of MNCs: Transfer of knowledge within the multinational organization is neither frictionless or futile and requires a great deal of managerial discretion.

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Corresponding Author

Himanshu Bhardwaj*

Ph.D. (Management)

E-Mail – kbsinstitute9@gmail.com