How to Succeed in Knowledge Transfer
Case study of Scandinavian Alliance in Ukraine

University of Helsinki
Department of Economics and Management
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How to succeed in knowledge transfer
Case Study of Scandinavian Alliance in Ukraine

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PREFACE

I have experienced my PhD-study program as a process of intensive scientific, professional and personal development. I had a strong desire to go this path, which looked straight and foreseeable in the beginning. The desire did not leave me when I realized that the path had become way longer, more winding and much steeper than I had expected. I learned to control my enthusiasm as well as my occasional frustrations and gained in confidence and determination step by step. Not at last I learned to accept and appreciate constructive comments, helpful hints and continuous encouragement from many people and institutions. Without this support my PhD-project would not have been possible and successful.

The excellent guidance by my department at the University of Helsinki, the caring help of its administration and particularly the friendly hospitality of the people of Finland allowed me to conduct my PhD-project in a truly academic and safe social environment. Thus, I have experienced my very personal explorative journey in the world of scientific theories and business research both as privilege and pleasure. My humble goal as a researcher has been to contribute to the body of knowledge on the subject of business economics and knowledge transfer to the economics of Central and Eastern European countries.

Research is about theory-guided searching for and combining of many different pieces of information and knowledge. It requires not only thorough and extensive studying of books, articles and databases, but also intensive communication with numerous individuals. Of course, has the interaction with so many interesting, knowledgeable and often brilliant persons not left me unchanged: they significantly contributed to my personal development in the last years - I am not the person anymore that I used to be before I started my PhD-study.

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The research also benefited from the discussions with colleges at the numerous conferences, summer schools and exchange programs in Norway, Ukraine, Germany, Denmark, USA, Portugal and Austria.

Copenhagen, June 2004
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Finally, very special thanks I would like address to my family “for their love, beauty and patience - values, which are so important for creative human relations”. You help me in your own special way with completion of this study and step on one more level higher.

Helsinki, September 2004

Olena I. Lesyk
The current study of Scandinavian multinational corporate subsidiaries in the rapidly growing Eastern European market, due to their particular organizational structure, attempts to gain some new insights into processes and potential benefits of knowledge and technology transfer. This study explores how to succeed in knowledge transfer and to become more competitive, driven by the need to improve transfer of systematic knowledge for the manufacture of product and service provisions in newly entered market. The scope of current research is exactly limited to multinational corporations, which are defined as enterprises comprising entities in two or more countries, regardless of legal forms and field of activity of those entities, and which operate under a system of decision-making permitting coherent policies and a common strategy through one or more decision-making centers. The entities are linked, by ownership, and able to exercise influence over the activities of the others; and, in particular, to share the knowledge, resources, and responsibilities with others. The research question is “How and to which extent can knowledge-transfer influence a company’s technological competence and economic competitiveness?” and try to find out what particular forces and factors affect the development of subsidiary competencies; what factors influence the corporate integration and use of the subsidiary’s competencies; and what may increase competitiveness of MNC pursuing leading position in entered market.

The empirical part of the research was based on qualitative analyses of twenty interviews conducted among employees in Scandinavian MNC subsidiary units situated in Ukraine, using structured sequence of questions with open-ended answers. The data was investigated by comparison case analyses to literature framework. Findings indicate that a technological competence developed in one subsidiary will lead to an integration of that competence with other corporate units within the MNC. Success increasingly depends upon people’s learning. The local economic area is crucial for understanding competition and industrial performance, as there seems to be a clear link between the performance of subsidiaries and the conditions prevailing in their environment. The linkage between competitive advantage and company’s success is mutually dependent. Observation suggests that companies can be
characterized as clusters of complementary activities such as R&D, administration, marketing, manufacturing and distribution. Study identifies barriers and obstacles in technology and knowledge transfer that is relevant for the subsidiaries’ competence development. The accumulated experience can be implemented in new entered market with simple procedures, and at a low cost under specific circumstances, by cloning. The main goal is focused to support company prosperity, making more profits and sustaining an increased market share by improved product quality and/or reduced production cost of the subsidiaries through cloning approach.

*Keywords:* multinational corporation; technology transfer; knowledge transfer; subsidiary competence; barriers and obstacles; competitive advantage; Eastern European market
INTRODUCTION

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1 INTRODUCTION

Due to worldwide trade liberalization and internalization, the Eastern European food and beverage market has become more competitive. Driven by the desire to produce and sell goods and services in more markets, foreign partners offer major potential for the development of economies in transition (Wright, et al., 2002; Lesik, 2002). Foreign partners may thus be seen as sources of financial resources to invest in new technology, bringing technology know-how, training managers, quality management, finance and general advice and consultancy (Gillespie and Teegen, 1995). The skills and knowledge necessary for successful involvement in export activities may be obtained through long-term relationships with foreign partners (Eriksson, et al., 1997; Hoskinsson, et al., 2000) through technology transfer (Grønhaug, et al., 1999; Winterscheid and McNabb, 1994; Kotabe, et al., 1996; von Hippel, 1994; Padmanabhan and Souder, 1994). Technologies are becoming more complex and there is very high cost incurred in technology creation and development. These factors require the formation of cooperative efforts and alliances among the various stakeholders where they can share the risks and rewards. Besides, insights from international strategic management theory and available empirical research results both indicate that technology - and knowledge - transfer can play an important role in
the creation of a sustainable position in a newly entered market, where technology transfer is regarded as an important means for improving the standard of living, restructuring their industries, creating jobs and improving economies. Access to technology and knowledge through transfer is often considered as a way for the firm to enhance its performance, and to exploit new business opportunities (Kotabe, Sahay and Aulakh, 1996; Winterscheid and McNabb, 1994). Technology transfer through international borders is also “considered important to enhance competitiveness, exploit opportunities and boost economic growth” (Grønhaug, et al., 1999).

At the present time, knowledge of the factors that have an influence on the success of technology transfer is limited. There is no agreement about how to measure success or failures in such transfers and what is the role of successfully absorbing technological knowledge (Leonard-Barton, 1995; Grønhaug and Nordhaug, 1992). However, attempts to transfer technology are often said to fail. When the receiving party has the skills and knowledge needed, then the pure market exchange of equipment or patent may be regarded as technology transfer. Or the technology to be transferred may be in the form of know-how of a more general kind. Teece (1980, 228) pointed out that the transfer of know-how involves a strong element of learning by doing, and it may be necessary for “human capital in an effective team configuration to accompany the transfer”. This is of crucial importance for the choice of exchange mode. When it is difficult to specify the separate elements to be transferred, then close contact and interaction between the parties involved will often be necessary in order to achieve the intended outcome of the transfer (Grønhaug, et al., 1999).

Companies are paying more attention to the global management of technology, as a part of the globalization process. Technology and product development processes are increasing activities carried out. The technical knowledge is being transferred between geographically dispersed units to a much larger extent than in the past (Hakanson and Zander, 1988; Bartlett and Ghoshal, 1989; Westney, 1990; Sakakibara and Westney, 1992). This is why the study of the mechanisms used for technical knowledge transfer within multinational firms is important. Current study is based on the findings of an empirical study of a multinational company’s subsidiary operating in the Eastern European food market.
To succeed in a market, the international marketer needs much more than just business know-how. A manager must deal with the intricacies of national politics and laws. The full understanding of another country’s legal and political system will rarely be possible. The good manager will be aware of the importance of this system and will work with people who do understand how to operate within the system. In addition to the politics and laws of both the home and the host countries, the international marketer must consider the overall international political and legal environment.

The competencies of firms are normally their most basic resource and, as opportunities for winning on technological leadership are diminishing; a firm’s capacity to develop and use its competencies are vital for its competitive advantage (Grønhaug and Nordhaug, 1992; Barney, 2002; Prusak, 1997; Earl, 1997). In Dreyer and Grønhaug’s report (2002:1-11) is demonstrated how resources can enhance a firm’s competitiveness, driven by the need to improve knowledge transfer in order to innovate. Technology transfer can supply ideas for new products or cost effectiveness (Bell, 1993). Firms are the basic units of production in industrial economies, even though their boundaries may have become increasingly blurred in recent years. Traditionally, economists have conceptualized firms in terms of production functions, abstracting from the role of the structure, administration, and organizational interactions within the firm. By contrast, firms can be characterized as clusters of complementary activities such as R&D, administration, marketing, manufacturing and distribution. How these activities are structured differs both between industries and within industries. These differences have implications for a firm's long-term performance. Knowledge, that is the individuals' and organizations' capabilities, may be the fundamental factor that determines long-term economic performance. The most important factors of production are organization and knowledge. New technologies alone, rarely increase productivity (Budzan, 2001). Competent users are required, and it is also essential to combine technological knowledge with market knowledge in order to innovate successfully.

The research case was designed to contribute to the theoretical understanding of the subject. The contribution of the research lies in expanding the understanding of
knowledge sharing in multinational corporate subsidiaries (MNCs) and in exploring knowledge sharing in Scandinavian corporations with a particular focus on Eastern European countries (Lesik, 2004a). The research contributes to MNC research by exploring two specific examples of competence and success in technology and knowledge transfer to Eastern European countries.

1.1 Relevance of the Topic

Food production is one of the bright spots of the Ukrainian economy – attracting more FDI than any other sector, thanks, largely, to the government’s hands-off approach and strong interest from private companies’ business. Ukraine’s food industry is maximizing profits by catering to the country’s tastes for products including condiments, dairy products, beverages and other products, thus, providing a wealth of opportunities for foreign investors. An important stimulus is also profitability, which nowadays is higher in the Ukraine than in the west. Besides, there are practically no free investment resources in the developed countries, whereas in Ukraine, they exist in many branches and regions. Usually, the key contribution of the Western partner consists of technology and product development. The local partners are devoted to the knowledge and skills necessary to manage the operation. Internalization is very important in building understanding and in developing the learning culture, necessary for successful business performance. Direct investment entails managing the operations. Multinational Corporations are responsible for this direct investment and keep up with the best technology practices to achieve production efficiency, which enables local producers (regardless of their origin) to compete in world markets. Emerging economies are quite heterogeneous, which needs to be understood by both international executives and researchers, because of the implications for a foreign firms’ growth strategy (Lesyk, 2003).

The geographical distance makes physical distribution more difficult, while psychic distance creates communication problems in terms of public policy, traditions of trade, barriers to trade and competitive forces. Companies engaged in the international market have to deal with multiple currencies, exchange rate variations, transactions
with various administrative costs, etc. Cross-cultural interaction also creates challenges for the international businessman. Differences in language, business customs and ethics, lifestyles and values, and in other cultural dimensions often complicate foreign business transactions. That is why, current research considers which barriers in technology transfer are relevant for corporate subsidiaries in Ukraine.

Scandinavian Alliance chooses to create and maintain a competitive advantage with the strategic goal to increase performance in the rapidly growing and highly potential Eastern European market and has created Baltic Beverage Holding (BBH), which is the focus of the current research study.

Learning from the experience of other Scandinavian companies, BBH had a smoother entry into the Ukrainian food market (Lesik, 2002), and could now serve as an example for others interested in doing successful business there. The company’s products are highly competitive, even though it keeps a low profile by using local factories’ brand names. The business has grown rapidly and there are good prospects for future profitability.

Ranging from a sales-marketing subsidiary to a fully operational manufacturing unit producing the same products as the domestic plant, FDI includes product-specific manufacturing units, plants producing components, and facilities, which simply assemble products in the end-user market. In the case of BBH, sales-marketing subsidiaries and assembly units were utilized. These are usually designed to maximize the benefits of having a presence in a foreign market for the purpose of gathering market information, raising company profile, and by reacting more quickly to market changes while being better able to secure contracts. Through having a foreign market location, firms are able to raise confidence about their ability to deliver and service products as they minimize the geographical distance between the source of supply and the customer. The specificity of the customers’ taste choice is considered as important in the food sector.
The skills and knowledge necessary for successful involvement with foreign partners can be obtained through long-term relationships and through technology transfer. When it is difficult to specify the separate elements to be transferred, then close contact and interaction between the parties involved will often be necessary in order to achieve the intended outcome of the transfer. To make the technology of real value to the receiving organization, that is, to make it capable of applying the technology, the transfer of specific skills and knowledge by intensive instruction and on-the-job training is needed.

Sometimes, a recipient (or transferee) has done much better than the original innovator. Sometimes the technology has taken a new form at each transfer, absorbing local traditions in design or local market preferences, and there is value added during the process of technology transfer.

1.2 Objectives, Focus and Purpose of the Research

With a few exceptions that touch on international technology transfer (Abbott, 1985; Carrillo, 1996), little has been done in the research area of knowledge transfer, in particular, to Eastern European countries.

The purpose of the research is to explore how to succeed in knowledge transfer and to become more competitive whilst being driven by the need to improve transfer of systematic knowledge for the manufacture of products and the provision of services in a new entered market. The starting point assumes the recent phenomenon of foreign subsidiaries that have undertaken fundamentally new roles in the multinational corporation (e.g. Birkinshaw and Hood, 1998a).

The current study attempts to gain some new insights into the processes and potential benefits of knowledge-and-technology-transfer by examining the experience of Scandinavian multinational corporate subsidiaries in the rapidly growing Eastern European market, due to their particular organizational structure (Figure 1).
Figure 1. Objectives and Focus of the Study
It explores how to succeed in knowledge transfer and to become more competitive driven by the need to improve transfer of systematic knowledge for the manufacture of product and provision of services in new entered market. The scope of research is exactly limited to multinational corporations, which operates under a system of decision-making permitting coherent policies and a common strategy through one or more decision-making centers, in which the entities are so linked, by ownership or otherwise, that one or more of them may be able to exercise a significant influence over the activities of the others, and, in particular, to share the knowledge, resources, and responsibilities with others.

In particular, the objectives of the current research project (Figure 1) are the factors that influence the transfer of knowledge and other aspects related to the development of a subsidiary’s competence. There is identifying barriers and obstacles to the successful implementation of the transfer of knowledge that influence a subsidiary’s competence. There is established a theoretical framework for the tracking of the technology transfer process in the chapter two. This is an exploratory study with qualitative methodological approach. Research in this field has contributed to a better understanding of the nature, patterns and driving forces behind the process (Lesik, 2003a).

The empirical question is “How and to which extent can knowledge-transfer influence a firm’s technological competence and economic competitiveness?” and try to find out (a) what forces and factors affect the development of a subsidiary’s competencies; (b) what factors influence corporate integration and the use of the subsidiary’s competencies; and (c) what may increase the competitiveness of MNC pursuing leading position in subsidiary’s units (Figure 1). The questions in the interview questionnaire (Chapter 3) dealt mostly with the level of the subsidiary's competence, the recognition of its competence, the level of corporate use of the competence, and other aspects related to the development of the subsidiary's competencies. In addition, questions were asked about the effects a subsidiary’s competence has on corporate competence development, corporate strategic investments, and the subsidiary's local business environment.
• The question *what knowledge is being transferred* is try to identify what knowledge is needed between foreign and transferee - managers in term of construction technology (hard knowledge or explicit knowledge) and management know-how (or soft knowledge or tacit knowledge)

• With question *how knowledge transfer takes place* - to identify the pattern of knowledge transfer. Success of knowledge transfer – to identify the influence factors of knowledge-transfer and try to identify the factors in achieving a successful knowledge transfer and the motivations of knowledge transfer.

• Other questions were about: *How can company acquire competence? How do knowledge transfer affect change outcome? Is it so that there are barriers in transfer of knowledge? What barriers and obstacles are present in technology and knowledge transfer implementation?*

The processes through which the subsidiary develops and transfers its competencies lead to the subsidiary becoming an important player in the corporation. It evolves into a supplier of strategic knowledge relevant and beneficial for the operations of other corporate units.

1.3 Structure of the Study

The research is structured into six chapters. The first chapter provides an introduction to the field, a clarification of the objectives of the study and a discussion of the structure of the thesis.

Chapter two is the theoretical framework for the study. In this chapter a model of technology and knowledge transfer is developed. There is explained three central factors in model of knowledge transfer. The chapter also provides information of MNC specific context, knowledge assignments in technology transfer and the
application of competence as the dynamic assets of knowledge. What the different factors stand for is also explained.

In chapter three methodological issues are discussed: the methodological approach and includes choice of design, research setting, and a description of data collection. Methodological strengths and weaknesses are also considered. This is a case study using a qualitative approach.

Chapter four leads to the empirical part of the study. This concerns an actual company case, and chapter is descriptive. The sense making perspective creates the basis for it, where is introduced case overview, a description of the case company on the Ukrainian market. There are generated barriers at the social and the subsidiary levels. Also, there is interpreted and analyzed collected qualitative data of current research.

Chapter five combines the theoretical framework with the empirical findings and reports the analyses of the qualititative case study.

Summary and generalization flow to final chapter 6, which concludes the study, by discussing the managerial implications and the study’s limitations, and draw the conclusion and suggest implications for further research.
Accordingly to developments in international business practice and research have motivated the need to emphasize the different roles and strategies of the multinational subsidiaries (Bartlett and Ghoshal, 1989; Hoffman, 1994). In this new stream of research, some subsidiaries are seen as valuable for the strategic development of the whole corporation. The value of a subsidiary has been discussed in terms of specific competencies, and the basic idea is that the subsidiary's competencies should come into wider use by diffusing them in the MNC. The companies put more attention on global management of technology, as a part of the process of globalization. Technology and product development processes are increasing activities carried out. The technical knowledge is transferred among units geographically dispersed to a much large extent than in the past (Hakanson and Zander, 1988; Bartlett and Ghoshal, 1989; Westney, 1990; Sakakibara and Westney, 1992). Within the overall process of innovation in multinational companies, R&D has been traditionally treated as the last activity to be internationalized. Most international R&D units played a support role within the innovation processes of multinational firms, providing technical support to other firm functions and adapting products, developed in the home country, to the requirements of the local demands (Pearce, 1989; Casson, 1991). Subsidiaries were one way of technology transfer process, which commercialize new products or production process in the foreign country.

The importance of the internationalized R&D has dramatically grown for a variety of reasons. First, decentralizing R&D units is a way to tap into external sources of knowledge (Perrino and Tipping, 1989; Hamel and Prahalad, 1993). Learning and knowledge absorption from external sources can be effectively supported by local technology development capabilities, which act as insiders within the national technology system and thus can learn more quickly (Sakakibara and Westney, 1992; De Meyer, 1993). Second, a close interaction of R&D with other firm functions is needed to shorten the product development process and compete on time (Howells, 1990; Prahalad and Doz, 1987). Third, the specialization of skills and capabilities required innovations in certain technological fields.
Strategic planning cannot be carried out without considering the effects on sales volume, contribution margin, costs and profit. It is determined, by organizational processes connected, to such matters as planning, decision-making, organizational development and management (Ottesen, 2001). However, the main goal will be focus to support company prosperity to earn more money. At the outset of internalization process of the firm much academic interest and analysis in this area focused on the multinational corporation. Firm size is a significant factor to invest abroad.

Company’s environment changes fast and constantly, and a company must response to these changes happening in its business environment. This requires mechanism to monitor changes inside and outside a company, and capability to react to these changes. In Thietart and Forgues (1995) pointed out that successful companies stay ahead of imitation. The only way to be successful is to build infrastructure, atmosphere and culture that support innovativeness inside the company (Koen et al., 2001; Buckler, 1997). A clear vision and strategy including considerations of different kinds of collaboration are helpful in this task. A company constantly changes “the business game”, and the rules for playing it successfully is playing the game so itself. If a company is unable to realize this change and inability to innovate new rules for the game it leaves behind its competitors.

As a consequence, there is a greater propensity to decentralize technical activities abroad (Pearce, 1989; Westney, 1990; De Meyer, 1992); the strategic relevance of foreign technical activities increases; the process of technological innovation within multinational firms increasingly involves foreign units. Technical knowledge transfer becomes more complex and involves a number of units, which operate in an integrated way during the new product development process. In the field of MNC studies is viewed to speak about “transferring” knowledge in respect of understanding as “sharing” it. The different physical contexts and mental models make knowledge transfer difficult and sometimes impossible between units (Furu, 2000).
2.1 Knowledge as a Concept Assignments in Technology Transfer

According to Webster's Third New International Dictionary (1986, 2384), technology is derived from the Greek word “techne” (technique) and “logos” (knowledge), and thus means “the knowledge of technique”. Thus, Gibson and Smilor (1991) pointed out that technology transfer seems to convey different meanings to different people and different organizations. The knowledge about technology transfer and its successful operation is applied to current research. That is why used concept transfer of knowledge, but this is not from the point of view of activities between company and academia interaction (Lobenstein, 1990; Webster and Etzkowitz, 1991).

Around the globe corporations and government entities are using technology transformation as a catalyst to achieve successful business transformation and competitive differentiation. Due to the complexity and size of efforts, technology and knowledge transfer are often described as the preferred roadmap to execute a sustainable transformation. Technology and knowledge transfer development tools are being integrated, enhanced, and improved to align with business goals and requirements.

The rapid technological change creates a need for developing the knowledge and competencies in companies. A company may have a profitable business model and competitive resources and capabilities today but in order to seize the future opportunities, the company has to dynamically develop its competencies.

Mnaas (1990) states that technology consists of four closely inter-linked elements: technique, knowledge, organization and product (Figure 2). It is knowledge contributes the major part to technology, which is the key to control over technology as a whole. To identify the process of technology knowledge transfer important is the exceptional nature of knowledge: tacit and explicit. First, knowledge is partly tacit, so it does not always transfer easily or completely between people or within and across organizations. Second, productive knowledge is possessed by individuals, but used in an organizational context, for example a firm.
Figure 2. Literature Overview

**Tacit & Explicit Knowledge:** Polanyi, 1967; Leonard-Barton, 1995; Tsang, 1997; Nonaka & Takeuchi, 1995;

Technology
Organization
Product
Knowledge

Mnass, 1990

Know-when
Know-where
Know-who
Know-why
Know-how
Know-what

Malström, 2002
Murray & Worren, 01
Sanchez et al., 1996
Earl, 1997
Sallis & Jones, 2002

Brown & Duguid, 1998
Nonaka & Takeuchi, 1995
Boersma & Stegwee, 1996
Davenport et al., 1998
Davenport & Prusak, 1998

**Technology**

**Knowledge**

**Transfer**

**Competence & Competitive Advantage**

**Multinational Subsidiary**

Samli, 1985; Egbu, 2000;
Barney, 1991
Prahalad & Hamel, 1990
Nooteroom, 1996
Sanchez, Heene & Thomas, 1996
Kogut & Zander, 1992

Bartlett & Choshal, 1989; Hoffman,
1994; Ottesen, 2001; Thietart & Forgues,
1995; Koen et al., 2001; Buckler, 1997;
In organizations an important component of an individual actor's knowledge is about who knows what and how to execute tasks in particular environmental settings. Culture, norms, and organizational structures and procedures, or routines in the language are examples of institutions that have implications for how knowledge is used and interpreted. Organizational knowledge thus consists of the skills and capabilities possessed by individuals within an organization. However, the whole of these knowledge assets is more valuable than the sum of the parts, because of the complementary among them.

With regarding to the appropriateness and effectiveness of technology transfer, Samli (1985) models the pattern of technology transfer with consideration of six dimensions: geography, culture, economy, business, people and government. In addressing knowledge transfer issues, Egbu (2000) develops a framework for managing knowledge, where was emphases five dimensions, such as people, content, culture, process, infrastructure and technology. It should be noted that the above research work has provided wider understanding and significant insights towards the building for the establishment of effective knowledge transfer.

The learning processes to build competencies are likely to vary across industries and sectors. Within manufacturing, investments in learning often include research and development, hiring skilled employees, on-the-job learning and training, technology licensing and other intellectual property acquisitions, collaboration with other organizations, and designing the internal organizational such that it promotes communication and provides proper incentives.

Competence is a strategic resource to company. In Sanchez, Heene and Thomas (1996) is defined competence as an ability to sustain the coordinated deployment of assets in a way that helps a firm achieve its goals. Firms differ in their information and know-how and these differences, when they are economically interesting, have persisting effects on relative performance. The persistence of difference in capabilities in firm performance lies in the joint problem of the difficulty of transferring and imitating knowledge.
Competence is a dynamic concept and relates to an operation, a strategy and goal of company. Competence is depending on the market environment where it exists. Competence means that the knowledge is tied to a problem that is to be solved and is related to action (Sanchez, et al., 1996). It is ability to sustain the coordinated deployment of assets in a way that helps a firm achieve its goals.

In Kogut and Zander (1992), given view that the central competitive dimension of what firms knows how to do is to create and transfer knowledge efficiently within an organizational context. The organization is more than mechanisms by which social knowledge is transferred, but also which creates new knowledge, or learning. The international technology transfer can supply ideas for new products' development, can support a company’s innovative progress and help to become more competitive.

Competitive advantage, for which MNC strive, refers to superiority over rivals in local market where subsidiary is placed. It can be considered as unique positioning on market and usually are advantage for company.

Considering knowledge as a concept in technology transfer, there are many ways to look upon it and below follows one way to interpret the concept. Knowledge develops in interplay between what you want to accomplish and the knowledge already possessed and the problems that are encountered when starting of with the possessed knowledge and the experiences that are made along the way. What is considered knowledge varies between areas and over time, meaning what knowledge is today is not the same what knowledge was yesterday or what it will be in the future. There is attempt in Malström (2002, 15) distinguish them as: facts (informational knowledge, which exist independently of recognizing them), comprehension (facts can be seen and understood in a qualitative dimension meaning), skills (practical oriented knowledge) and intimate knowledge (subjective).

In Murray and Worren (2001) the facts knowledge described in the way of “know-who”, “know-where”, and “know-when”; comprehension described as “know-why”;
skills as “know-how”; intimate knowledge as “know-what”. Intimate knowledge can be invisible in the form of senses (see, feel, smell, and intuition).

Davenport and Prusak (1998) give a more complete definition, that “knowledge is fluid mix of experience, values, contextual information and expert insights that provides a framework for evaluating and incorporating new experience and information”.

The distinction between explicit and tacit knowledge also brings some clarity into debate of transfer knowledge and firm competence. Explicit knowledge refers to knowledge that is transmittable in formal, systematic language. There is also tacit knowledge, which is personal and therefore hard to formalize and communicate: “we can know more that we can tell” (Polanyi, 1967). Whereas explicit knowledge can be easily recorded in databases, it is conversely more difficult to record tacit knowledge. Making the knowledge more objective always means a transformation of the current knowledge.

By Nonaka and Takeuchi (1995) the theoretical model introduces a diversified approach by which knowledge can take various configurations (i.e. training, employee’s rotation). In addition, this work of knowledge point out the diversity of ways and the importance to take into account the organizational and social context influences.

2.2 Technical Knowledge Transfer in MNC

In some studies as in De Meyer (1992) and Westney (1993) shown how the integrated management of international R&D takes place, however, little attention has been paid to how technical knowledge is transferred among geographically dispersed units and what are the mechanisms adopted to do it and coordinate technical activities, specially on Eastern European countries. De Meyer (1992) says that the management requires an appropriate managerial system to be built. The planning and control system needs to be viewed as part of the process of knowledge transfer and a series of communication systems need to be implemented to favor exchange of knowledge.
Westney (1993) in his research work has shown that cross-border integration is obtained in three ways: integrated funding systems, joint projects and cross-border assignments of technical people. Bartlett and Ghoshal (1989) have pointed out that the innovation systems of transnational firms are characterized by the interdependence of resources and responsibilities among different subsidiaries, and strong form of cooperation among dispersed organizational units. This approach relies upon the use of a wide range of integrating devices: the use of common operating system, the exchange of technical people among different units (as temporary assignments, creation of joint teams), inter-unit forums where views can be exchanged and differences resolved.

In COST A3 is summaries the main knowledge transfer mechanisms, adopted within MNC: cross-border assignments (the assignment of employees mutual transfer between subsidiaries for a certain period of time); forums (international annual meeting for technical people); electronic linkages (use of electronic mail, teleconferencing, electronic network); international team (technical people from different countries gathered for a specific project); internal markets (mechanism by which subsidiaries identify the R&D projects in which they are interested and participate by funding in order to access those results); boundary-spanning roles (creation of roles acting as interfaces in the transfer of technical knowledge to and from other firm subsidiaries and the centre); personal flows (mechanism by which a transfer of knowledge to another country is followed by people who have worked on the development of that knowledge); use of common systems and tools; international meetings; temporary assignments (assignment of technical people temporarily to other subsidiaries for a specific project).

2.3 Model of Technology Transfer

Innovation as a concept brings to mind a successful development activity, which further aims to successful business. Know-how is a sub-component of technology, which relate to human beings handle artifacts or organize and plan their activities to perform certain tasks. They refer to two generic types of technology Technical know-
how and Business know-how, embodied in individual human beings or groups within the firm. The transfer of know-how involves a strong element of learning by doing.

It has been identified in previous researches that without knowledge transfer, technology transfer does not take place, as knowledge is the key to control technology as a whole. Knowledge transfer is crucial in the process of technology transfer. Therefore, the focus of the paper is addressed to the fundamental element of technology transfer – knowledge transfer (Figure 3).

The knowledge-and-technology transfer process often fails. What the barriers occur in the processes of technology-and-knowledge transfer is discussed in the subchapter 2.5 more detailed. Considering technology-and-knowledge transfer three central factors are included in the model of technology transfer. The important place in technology transfer play capabilities of the developer (considering abilities and capacity of receiving part to develop new skills and approaches), needs of the user (should be taken to account what is real transferee needs; as more receiving part need certain technology-equipment as easier and smoother it will be to transfer it) and characteristics of the technology (what are the specific technology needs). The model of technology transfer may therefore bring an important contribution to our understanding of knowledge application and sharing in MNCs.

The MNC is seen as a globally distributed network of differentiated, more or less integrated units, the competitive capability of which depends on the sharing of resources between subsidiaries units. Multinational corporations exist, because they are able to transfer and share resources – especially knowledge – between units more efficiently through internal channels than would be possible through external markets (Porter, 1990; Bartlett and Ghoshal, 1989; Kogut and Zander, 1993).
Figure 3. Model of Technology Transfer

- Capabilities of the Developer
- Needs of the User
- Characteristics of the Technology

Knowledge Transfer

System of Facilitators

Technology Transfer

Barriers to Technology Transfer

Transfer Successes

Transfer Failure
2.3.1 Managing Knowledge - Managing People

Knowledge is increasingly being recognized as a vital organizational resource that gives market leverage and competitive advantage (Leonard-Barton, 1995). In particular, knowledge has become a substance to be “managed” at its most literal sense. In general, knowledge consists of two significant components, namely explicit and tacit. However, the greater the extent to which a technology exists in the form of the softer, less physical resources, the greater the proportion of tacit knowledge it contains. Tacit knowledge, due to its non-modifiable nature has to be transferred through intimate human interactions (Tsang, 1997).

Explicit knowledge sometimes called codified or declarative knowledge and is used to describe formal knowledge. It has its source in formal organizational documentation such as procedure manuals, patents, technical reports, books, letters and financial statements. Explicit knowledge can be shared and used to create new and useful knowledge. After all, it is easy to communicate and can be transferred relatively easily between individuals, both within and outside the organization. Using explicit knowledge effectively is one of the challenges of knowledge management.

Tacit knowledge is skills of knowing how. The two types of knowledge, explicit and tacit are complementary. It is difficult to communicate and share tacit knowledge, related to feeling, emotions, and imagery. It is personal knowledge that is deeply rooted in an individual's experience and consciousness and is fashioned by his or her experiences, values and cultures. It is knowledge of how to do something and is often the driving force behind the learning of a skill.

Management needs to focus on understanding the dynamics and the psychology of personal knowledge. Tacit knowledge is difficult to control in a predictable way. Employees may see the knowledge they possess as their own intellectual capital. They may feel no obligation to share it with others in the organization. They may see it as personal and private. In many organizations, individuals perceive their greatest value to be what they know. For them, knowledge is power. Their unique info gives them status, and often guarantees that they are listened to and consulted. The other person,
with whom they shared the knowledge, may use their ideas as their own. Or once their knowledge is in the public domain, they may no longer be seen as valuable or important.

Managing knowledge is as much about good people management as about information and data processing. Processes need to be found to make tacit knowledge communicable and available to as wide an audience as possible. It needs to be finding ways of making tacit knowledge more explicit so that it can be more readily shared. They need to build the structures that will make people enjoy sharing their knowledge. This often involves positive rewards for knowledge sharing, giving a value to this practice.

By Nonaka and Takeuchi (1995) the knowledge conversion process has four elements. Sharing of ideas, people talk what is important to them. The collective experience of sharing knowledge is a powerful means of creating new ideas (tacit to tacit); ideas are turned into practical reality (tacit to explicit); ones knowledge is explicit it is easier to make the explicit transfer, combining knowledge to test idea (explicit to explicit); internalization of knowledge, developing new ideas and learning by doing (explicit to tacit), which can help teams form mental images of the problems that need solving (Figure 4). This allows participants to bring their intuition and experience to bear on the issues.

The knowledge is in forms that can easily be transferred (explicit to explicit), via a range of means, including plans, charts, development and technical papers. It can be achieved through the communications media or by learning, in formal settings using lectures, workshops, published papers, conferences, and seminars.

It is through the explicit to tacit conversion process that employees can act upon good ideas. Internalization is very important in building understanding and developing a learning culture. Nonaka (1995) believes that the key to innovation is the social interaction that comes from socialization. Good socialization allows people to draw on their experiences (tacit) and to come up with new and novel solutions to problems that can be introduced for the benefit of the organization.
Managing knowledge means managing people, and doing this in a way that allows them to give of their best. The role of middle managers: they play the mediation role, interceding both between top and bottom, and between internal and external forces. More importantly, they are often the main knowledge creators. They act as team leaders and group coordinators. They are at the center of knowledge management, as their role puts them in position that intersects both the vertical and the horizontal information flow. Diverse people with common interests make the best participants. Success in the marketplace increasingly depends upon people learning, yet most people do not know how to learn.

If in organization there are a huge amount of information and data available, coming from a multitude of sources, in all sorts of forms. It may originate from the organization's staff, from its business partners, customers or suppliers, and from a range of other sources, including online databases, trade catalogues and magazines, product manuals, trade fairs, exhibitions, seminars, external consultancy. It may also
take the form of intelligence about competitors. Formal knowledge comes in a wide range of formats—official policy documents, scribbled notes, reports, e-mails, correspondence files, and web pages, notes of telephone conversations, letters, memos, financial records, staff handbooks, and minutes of meeting, telephone directories and database records. It can be the result of the work of individuals, committees, teams, project groups, working parties and focus groups. When organization seeks to be market leader (a brand leader) it is seeking to develop and exploit its knowledge assets for competitive advantages. Its exploitation of formal knowledge can give it the lead.

Informal knowledge (known as the folklore of the organization) – it can be just as valuable a source of information, and although it is an intangible. It is the knowledge about how things really work and what really keeps things going. Informal knowledge relates to the difference between the way things are and the way they should be. (In every organization there will be a number of people who can tell the real story). The informal knowledge can involve gossip, conversation, chats in the corridor, via telephone, or via e-mail. All these means keep the folklore of the organization alive.

This is very important for organization: gossip can be very accurate and perceptive, but it may also be misleading, incorrect, wrong and out of date. It is very difficult to replace it with more accurate information. Many people, especially in the lower echelons of an organization, prefer to believe informal knowledge rather than the official version. Informal knowledge is socially constructed and is kept alive by its constant repeating. The message is often in the telling and it plays a crucial role in defining the culture of the organization. One key to successful knowledge management is the exploitation of all forms of knowledge, both formal and informal. This can be achieved by developing knowledge-sharing cultures and processes, linked to appropriate technologies (Lesik, 2003b).

However, organization needs to be clear that knowledge is more than information. Simply having more and better information does not mean that we are any more knowledgeable. In fact, the opposite may often be the case. Information by itself can
lead to confusion, and information overload is one of today's most serious problems, both for individuals and organizations (Rosenberg, 2004).

Knowledge is information that has been consciously processed, and has established meaning and value to those who use it. Knowledge is information in use, and it is the interaction of information with the human mind that gives it meaning and purpose.

2.3.2 Knowledge Sharing Inside MNC

International management research has increasingly moved towards viewing the multinational corporation (MNC) as an inter-organizational network of geographically dispersed and differentiated units in the ability to exploit resources, especially knowledge, more efficiently than would be possible through external market mechanisms (Kogut and Zander, 1993). According to this view, MNCs' competitive advantage is fundamentally based on how efficiently they share resources, especially knowledge across units. Knowledge sharing in MNC was facilitated by frequent communication and interaction between transferor and transferee. Intra MNC trade, interunit interdependence, and subsidiary autonomy had a positive impact on knowledge outflows from local subsidiaries. Found the adaptation of an organizational practice by MNC subsidiaries to be positively affected by host country institutional environment, but also by the intra-MNC relational context-specifically by identification with and trust toward the parent MNC.

According to Moreau (2000); Bellini (2000); Fai (2000), there are three important types (Figure 5) of competence to ensure competitive advantages: technological knowledge (technical competence), operational know-how (organizational competence; the reliability of sales and installation processes) and organizational know-how (market competence; excellent customer relationships), which are interdependent.

Also, there are some other studies (Heide, et al., 2002; Olsen, et al., 1992) focused on aspects of the knowledge sharing inside MNC that may affect the success in company through technology and knowledge transfer. There is examined the role of following
aspects: information systems, knowledge learning, and allocation of resources, personnel management, political factors and organizational culture. The distinction between explicit and tacit knowledge also brings some clarity into debate of knowledge transfer.

Figure 5. Types of Competence

Knowledge transfer through international borders is considered important to enhance performance, exploit new business opportunities and can play crucial role in firm competitiveness priority.

2.4 Competence as the Dynamic Assets of Knowledge

Competence is a dynamic concept and relates to an operation, a strategy, or goals. Competence is depending on the environment that is competence exists in a social situation. Competence means that the knowledge is tied to a problem that is to be
solved and is related to action (Sanchez, et al., 1996). Moreover, core competencies are based on knowledge. “Core competencies are the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technologies” (Prahalad and Hamel, 1990).

Initially, root knowledge is needed as a base for absorbing the new information, and education and experience are helpful. Root knowledge is related to the information that is absorbed, where the information is processed into knowledge by taking a stand on the information by accepting or rejecting it, by exposing the information to criticism and putting it into an understandable context, and thereby the knowledge types, facts and comprehension are tied together. The skills and intimate knowledge that develop in this process is competence.

The recent phenomenon is that foreign subsidiaries have undertaken fundamentally new roles in the multinational corporation (e.g. Birkinshaw and Hood, 1998a). This is reflected on the subsidiaries largely developing their own resources and competencies, instead of inheriting them from the corporate parent. The sources of the foreign subsidiary's competence may vary. For the sake of simplicity, however, they can be divided into three broad categories: environmental factors, corporate factors, and local business network factors (Figure 6). This classification resembles that of Birkinshaw and Hood (1998b), who discuss drivers of capability development in the subsidiary as falling into three categories: local environment determinism; head office assignment and subsidiary choice.

According Bartlett and Goshal (1989), the innovation systems of transnational firms are characterized by the interdependence of resources and responsibilities among different subsidiaries, and strong form of cooperation among dispersed organizational units. By Westney (1993) shown cross-border integration, obtained in three ways: integrated finding system, joint projects and cross-border assignments of technical people.
2.5 Barriers and Obstacles in Technology and Knowledge Transfer

A transfer of knowledge must be implemented before it can be of specific value to an organization. However, various barriers and obstacles in transfer of knowledge process can influence challenge to management and competence of company. Successful technology and knowledge transfer requires active actions. There is a vast of literature on this issuer (Dickson and De Sanctis, 2001; Brown and Duguid, 2000a) of information support in technology and knowledge transfer process. The luck of it is recognized as a main obstacle to achieve result. Availability of necessary knowledge and skills make company highly competitive. Learning becomes a key factor in achieving goal.

Shared language, therefore, may provide a common conceptual apparatus for evaluating the likely benefits of exchange and combination in observing and
interpreting environment. Different natural languages are spoken inside MNC may lead to individuals, units, and even whole regions being filtered out of each other's view, as limited language skills create a sense of remoteness and disconnectedness. The “superiority” of a language capability is thus highly context-dependent: a person perceived as a fluent speaker in one context may be filtered out as non-fluent in another context due to her accent, although both the language and the speaker's skills remain the same. By Kogut and Zander (1996) learning-knowing are as closely linked, which would seem important to base an examination of interunit knowledge sharing on a view of organizational identity that possibly fits better with perceived organizational realities.

Allocation of adequate resources without sufficient one it is not possible to transfer knowledge for high competence of firm, because the allocation of human resources affects financial resources.

Personal management is vital part of the process, “because employees have aspirations, needs and feelings that affect the company’s performance” (Heide, et al., 2002). There are interdependency: staff working forward to satisfy company’s needs (economic, personal and social) and company cannot function properly without talented and energetic managers.

Political factors, as a political game are present in each organization and “may have a functional role”, which may also “block change”.

Organizational culture can be described as a company’s culture and can act as a kind of organizational glue, thus affecting the degree to which a strategy is successfully implemented (Heide, et al., 2002, 219).

In Samli (1985) and Egbu (2000) models, which considering barriers and obstacles in technology-and-knowledge transfer are emphases following dimension criteria: geography, culture, economy, business, people and government, which can apply to social and company levels.
2.6 Leading Position - Success of Knowledge Transfer

The success of technology-and-knowledge transfer in competence development will forward company to the leading position on a market and may lead to company integration with other units of corporation.

Acquisitions (von Bonsdorff and Lindell, 1997) mean “maintaining a leading position”. This is the goal of BBH in Ukrainian market. The goal of an acquisition to transfer knowledge between companies is “to obtain new resources for product development or otherwise create synergy advantages”. It considers technological R&D competence between members of organization and ability of the firm to master related processes (Prahalad and Hamel, 1990; Stalk et al. 1992). In order to transfer new knowledge to acquired company or to acquiring one acquisition is made (von Bonsdorff and Lindell, 1997). Usually acquisitions have great expectations. Previous studies indicate that most acquisitions fail. According to Copeland (et al. 1990), only 23 per cent of acquisitions could be classified as successful. The transferring of competence is demanding task, especially between international companies (Lillrank, 1995), because the competence is deeply rooted in the organization and its members. The capacity to integrate and the capacity for learning there are main criteria for acquisitions managing.

Technology transfer within companies “cannot be forced on an organization – there should be demand for it” (von Bonsdorff and Lindell, 1997). The most advantageous way to transfer technology is to move people. This helps to overcome the problem of transferring tacit knowledge. There is occupied some positive benefits of moving R&D people together with the technology: motivation is increasing, as appeared a feeling of ownership; enthusiasm is transferred together with the technology; special teams are organized; visit to foreign countries, meeting and education.

By Gibson and Smilor (1991) and von Bonsdorff and Lindell (1997) are proposed critical hypotheses for successful technology transfer, which can be reached when:
- communication is interactive;
- the corporate cultures are closely linked;
-the technology is “concrete”;
-the organization rewards and supports technology transfer.

According von Bonsdorff and Lindell (1997) can be identified following factors, which are critical for the technology and competence transfer:
-moving people between departments and the existence of a champion;
-transition teams, visits, personal interactive contacts;
-supportive climate of technology transfer.

Deeds (2001) discussed acquisition of competence as ranging from being as simple as buying a non-exclusive license (selling the right to use a piece of intellectual property for a specified period of time) to entering into a joint venture with multiple partners. In the former, minimal interaction between the parties is required since the competence is already well developed and codified which makes the transfer relatively easy. Continuous interaction with the parties involved is required, since these types of transactions involve ongoing negotiations over sharing costs for the maintenance of the competence flow.

Deeds and Hill (1998) refer to strategic alliances as a strong relationship between partners “can serve as much more effective deterrent to opportunistic action than hostage investments or contingent claims contracts”. The goal and benefits is expected to be gained through a relational contract can only be achieved through joint accomplishments and concern for the long-run health relationship that works as a restraint on potential opportunistic action.

Technical change and innovation underlie improvements in productivity, the primary source of economic development. But in addition to the efficiency and capacity of machines and equipment used to produce goods and services, productivity levels hinge on people's competencies both to produce and consume, and their ways to collectively engage in these activities. Thus, fundamental complementarities between “software” and “hardware” could be identified.

Sometimes, a recipient (or transferee) has done much better than the original innovator. Sometimes the technology has taken a new form at each transfer, absorbing
local traditions of design or local market preferences and there is value added during the process of technology transfer.

2.7 Summary of Technology and Knowledge Transfer

To summarize, this is study of international transfer of knowledge that affects firm competence. Technology transfer mainly intends to capitalize technological knowledge resources within MNC from their Scandinavian operations to their subsidiary’s units situated in Ukraine. Final goal is to sustainable increase market share by improved product quality and/or reduced production cost of the subsidiaries.

This study explores how to succeed in knowledge transfer and to become more competitive driven by the need to improve transfer of systematic knowledge for the manufacture of product and provision of services in new entered market. The local economic area is crucial for understanding competition and industrial performance, as there seems to be a clear link between the performance of subsidiary and the conditions prevailing in its environment.

Technology-and-knowledge transfer through international borders is considered important to enhance performance, exploit new business opportunities and can play crucial role in firm competitiveness priority. The main research question is “How and to which extent can knowledge transfer influence a firm’s competitiveness. The research try to find out particular (1) what forces and factors affect the development of subsidiary competencies; (2) what factors influence the corporate integration and use of the subsidiary’s competence; and (3) what may increase competitiveness of MNC pursuing leading position in the subsidiary’s units.

1 Development of subsidiary competitiveness. The important place in technology-and-knowledge transfer play capabilities of the developer, i.e. abilities and capacity of receiving part to develop new skills and approaches; needs of the user, i.e. what real transferee needs, - as more receiving part need certain technology as easier and smoother it will be to transfer it; characteristics of the technology – what are the specific technology needs.
2 Integration. The success of technology-and-knowledge transfer in competence development will forward company to the leading position on a market and may lead to company integration with other units of corporation.

The most advantageous way to transfer technology is to move people. This helps to overcome the problem of transferring tacit knowledge. According to von Bonsdorff and Lindell (1997) are identified following factors, which are critical for the technology and competence transfer:

- moving people between departments and the existence of champion;
- transition teams, visits, personal interactive contacts;
- supportive climate of technology transfer.

3 Increasing competence. According to Moreau (2000), Bellini (2000), Fai (2000), there are three important types of competence to ensure competitive advantages: *technological knowledge* (technical competence), *operational know-how* (organizational competence; the reliability of sales and installation processes) and *organizational know-how* (market competence; excellent customer relationships), which are interdependent.

Recently the foreign subsidiaries have undertaken fundamentally new roles in the multinational corporation. This is reflected on the subsidiaries largely developing their own resources and competencies, instead oh inheriting them from the corporate parent. The sources of the foreign subsidiary’s competence vary and can be divided on: *environmental factors, corporate factors, and local business network factors*; which resemble drivers of capability development in Birkinshaw and Hood (1998): *local environment determinism; head office assignment and subsidiary choice*.

Various barriers and obstacles in technology-and-knowledge transfer process can influence challenge to management and competence of company. In Samli (1995) and Egbu (2000) models, which considering barriers in technology-and-knowledge transfer are following dimension criteria: geography, culture, economy, business, government, people, which apply to social and company levels.
3 METHODOLOGY AND RESEARCH DESIGN

In this chapter methodological issues are discussed. These include the research design, research setting, data collection, and data analysis. The choice of research design is presented through a discussion of design requirements and possible alternatives. Data collection methods include different sources of data and details about how the data were collected. In the section on data analysis, the different steps in the analysis process are presented along with specific analysis methods, such as narrative strategy, visual mapping strategy, temporal bracketing strategy and alternate template strategy. The strengths and weaknesses of the chosen methodology are discussed in a separate subchapter.

There is an increasingly sizeable literature about how to conduct social research method and its application in the research (Ghauri, et al., 1996; Campbell, 1988; Lawrence, 1997; Frankfort-Nachmias and Nachmias, 1992; Marshall and Rossman, 1989; Thietart, 2001; Wolcott, 1990; Robson, 1989, Richardson, 2000). The present choice of method depends upon the possibility to access the data and research problem for case. The practical issues around research study was based on Ghauri and Grønhaug (2002), which provides practical accessible guidelines on how to conduct a case study, including a triangulation type of it and how to analyze qualitative data.

3.1 Research Design

The design of the study depends on the research questions and on how much existing theory there is within the domain of interest. The research question in current research concerns how and to which extent can knowledge transfer influence a firm’s technological competence and economic competitiveness? The study aims to develop an understanding of the contribution of knowledge and technology transfer to the competitiveness of a subsidiary. These research questions impose several requirements on the research design, which limits suitable design alternatives.
3.1.1 Criteria for Design

Based on the research questions how and to which extent can knowledge-transfer influence a firm’s technological competence and economic competitiveness, try to find out (a) what forces and factors affect the development of a subsidiary’s competencies; (b) what barriers and obstacles are present in technology-and-knowledge transfer; (c) what may increase the competitiveness of a MNC pursuing a leading position in a subsidiary’s units; what factors influence corporate integration and the use of subsidiary’s competencies.

The degree of detail on study type of information varies considerably. Written documents, in combination with verbal information to clarify or expand upon the written information, make it possible to identify how to succeed in knowledge transfer and to contribute to the understanding of existing literature in this field of study. The research design therefore needs to incorporate both secondary data, such as written documents, and primary data, such as interviews and observations.

Initial intentions can be identified more easily than modifications, because of the negative connotations that often accompany change. Organizations and organizational members might be hesitant in admitting obstacles and changes that take place. To detect some questions concerning companies close relationship with the interlocutor is requires. It requires also an in-depth understanding and knowledge about the organization, as well as trust from organizational members. It was almost impossible to gain access to companies in Finland, as “private personal connections” prevail in business. Data was collected continuously over a longer period of time (certain time interviews took place in 2003 and 2004). Possible method includes asking for information retrospectively and/or collecting real-time information where data is reviewed after the identification. Due to the risk of after-rationalization and failing memory, real-time data is usually preferred over retrospective data. Besides, the research design, therefore, allows for a fairly open-ended approach that makes it possible to capture relevant effects based on the data.
Access to an organization remains a fundamental requirement for study. It has been argued throughout this study that an implementation process must be studied in its natural setting in order to capture the complexity of and the contextual features that affect the process. Access to real-time organizational processes in their natural setting represents the greatest challenge for this type of research. To sum up, based on the research questions, the design need to incorporate both primary and secondary data (in this study collected as verbal and written information); and include real time data.

3.1.2 Choice of Design

It has been argued above that the phenomenon of interest required detailed and in-depth information. A qualitative study (McCracken, 1988; Brenner, 1985) was, therefore, found most suitable. Qualitative studies are more appropriate for the current study because there is a well-structured problem based on developed theory. There is some other evidence, which explains why a qualitative approach is more suitable for current research project. Because, qualitative research emphasizes the importance of subjective meanings, symbols and descriptions of corporate cases and one does not have to know about statistics. It also implies that the same events or types of behaviors can have different meanings in different cultures and in different countries.

A case study design allows extensive reliance on existing research (Campbell, 1988; Eisenhardt, 1989; Yin, 1994). As argued previously, the large but fragmented body of research on technology and knowledge transfer processes provides a better understanding on which to base study. Existing research also directs current research toward already established critical dimensions in a complex process.

According to Cassell and Symon (1994); Cunningham (1995); Sudman and Bradburn (1983); Wengraf (2001) and Walton (1992) it can be useful when little is known about a phenomenon; when current perspectives seem inadequate, because they have little empirical substantiation, or when they conflict with each other or common sense. Furthermore, a case study is appropriate when there is a need to provide freshness in perspective on an already researched topic. The research collects data using techniques, which are presented in the table given below.
Table 1. Dimension of Research

<table>
<thead>
<tr>
<th>Purpose for study</th>
<th>Time in study</th>
<th>Data Collection Technique</th>
</tr>
</thead>
<tbody>
<tr>
<td>Descriptive</td>
<td>Case study</td>
<td>Qualitative data</td>
</tr>
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</table>

In this research project on knowledge and technology transfer it was the rational behind choosing a descriptive design. A case study approach provides a new perspective and develops existing research. This design contributes to the already fragmented body of literature by adding new term to describe the phenomenon. The aim is to bring together existing knowledge about technology transfer, and to draw on this knowledge, while at the same time remaining open to new insights that could bring research on knowledge and technology transfer further forward and pull existing contributions together. A case study approach was therefore chosen.

3.2 Research Setting

The literature review shows that there is no academic work that examines the current situation of technology and knowledge transfer as related to competence in Scandinavian MNC in the Eastern European market. The current study sets its boundaries within the context of the beverage industry in Ukraine. Therefore, interviewing was arranged both in Finland and in Ukraine. In particular, the study was undertaken in two different Scandinavian corporate subsidiaries situated in Ukraine; additionally representatives from head offices in Helsinki and Kyiv were interviewed. The interviews, which lasted 45-90 minutes, were conducted in Ukraine during June – December 2003 period of time and in Helsinki, in February 2004.

Taking into account that random assignment (Cook, et al., 1990) is “the method of choice wherever quality of causal inference is the dominant intellectual concern”, the case selection was made rather randomly and deliberately at the same time. Additionally, the subject of my master’s thesis interest was to analyse which factors of entry and growth strategy contribute to successful business in the Eastern European market by learning from the experience of Finnish food companies situated in
Ukraine. Thus, by continuing research in this area was developed interest on current subject. Thus, was chosen Baltic Beverage Holding (BBH), Scandinavian Multinational Corporation that has a total of twelve breweries in the Baltic countries, Russia and is ranked third in Ukraine (Appendix C; Table 2) (lately it has moved into the second place). Nowadays, BBH has three subsidiary units in Ukraine: JCS Л’вивs’ka Pyovovarnya (99, 6%), Slavutych (90, 3%) and Slavuta Malt House (91, 7%) (Table 3, Appendix D). According to recent reports Slavuta Malt House has been sold. However, there was opened a new brewery in Kyiv.

Besides, this paper reports a case study conducted to identify barriers and obstacles to international technology transfer and knowledge that influence firm’s competence and economic competitiveness. Taking into account that BBH has maintained a leading position in Baltic and Russian markets over the last decade, it has strong attempt to become a market leader on Ukrainian one as well. This research project considers the question how to succeed in knowledge transfer and become a market leader.

3.2.1 The BBH Case

BBH was established in 1991 by Finnish Oy Hartwall Ab and its Swedish counterpart Procordia Beverages AB (Pripps) to develop their business in the emerging Eastern European beer markets and started their activity exporting beverage products and mainly beer. In 1991, Scandinavian MCO extended its business activities to Eastern European countries (Appendix B). Baltic Beverage Holding’s business approach is to enter local market by buying brand names of their future enterprises unit, and over time to extend it to full ownership.

To extend the business the company transferred it into subsidiary and has been very successful. There were several times reorganizations in the ownership structure of BBH. Until 2001, on the 50% basis ownership it belonged to Hartwall ABP, Finnish leading beer and Soft Drinks Company and the Norwegian Procordia. Since 2001, BBH is a 50:50% owned joint venture between Scottish & Newcastle Plc. and Carlsberg Breweries A/S (Table 3; Appendix D).
Both owners are among the world’s leading brewers. Patent companies are among the 10 biggest brewers in the world. Scottish & Newcastle Plc. is listed on the London Stock Exchange. Carlsberg Breweries' parent companies Carlsberg A/S, is listed on the stock exchange in Copenhagen and on Orkla ASA in Oslo.

The company is registered in Sweden, with its principal offices in Stockholm, Helsinki and St. Petersburg. BBH has a total of twelve breweries in the Baltic countries, Russia and Ukraine. The changes occupy constantly. And just in February 2004 Carlsberg Breweries' announced that it has full ownership. In this way the board of owners is going to be change again, and it will or will not effect organization of the structure of BBH Company. A shareholder agreement exists between the owners, which, among other managerial responsibilities, govern the decision-making process in the administration of the company.

The objective of the company is to be the leading company in the Baltic countries, Russia, Ukraine and other selected market areas in Eastern Europe. So far, it has gains leading position in the Baltic and Russian markets and has made a strongly attempt to secure a leading position in the Ukrainian market, where it occupies only third position (lately shifted on the second one). The selected market areas have considerable potential for future growth. However, bureaucracy in Ukraine is higher than in the Baltic States. This system creates a lot of technical obstacles that consume time and additional resources. Recently, the political changes in Ukraine have taken place and there is again hope for positive and constructive changes and approaches also in business area.

In BBH’s subsidiaries in Ukraine, Slavutych and L’vivs’ka Pyovarnya (Appendix F), which cooperation is increasing, and operational management is basically done jointly nowadays. In Kyiv, in June 2004, is going to be inaugurated enterprise unit, subsidiary brewery, which already producing for the high seasons. BBH is already investigating to extend business possibilities in Kazakhstan, where it already has one production unit.

3.2.2 The Corporate Competitive Forces

The multinational corporate competitive forces are arising during expending business abroad. The geographic distance makes physical distribution more difficult while psychic distance creates communication problems. Any foreign company that conducts business in Ukraine has to deal with multiple environments, such as public policy, traditions of trade, barriers to trade and competitive forces. Companies engaged in Ukrainian marketing have to deal with multiple currencies and exchange rate variations. Transactions in various currencies entail administrative costs and difficulties. Cross-cultural interaction also creates challenges for international businessmen. Differences in language, business customs and ethics, lifestyles and values, and in other cultural dimensions often complicate foreign business transactions.

Ranging from a sales-marketing subsidiary to a fully operational manufacturing unit producing the same products as the domestic plant, FDI includes product-specific manufacturing units, plants producing components, and facilities, which simply assemble products in the end-user market. In the case of BBH, sales-marketing subsidiaries and assembly units were utilized. These are usually designed to maximize the benefits of having a presence in a foreign market by gathering market information, raising company profile, and by reacting more quickly to market changes while being better able to secure contracts. Through having a foreign market location, firms are able to raise confidence about their ability to deliver and service products as they minimize the geographical distance between the source of supply and the customer. Good examples of this are the subsidiaries L’vivs’ka Pyovarnya and Slavutych which are almost fully owned by BBH in Ukraine (Table 3).
In Ukraine, the political situation has changed in a positive direction, and steps to reform the economy have continued. Only slight changes took place in the exchange rates of the Group’s major currencies against the Euro. The competitive situation is changing with the largest brewery companies consolidating their positions, while small local breweries, which make poor-quality beer, are losing ground. The main competitors are the local breweries Obolon’ JCS and SUN Interbrew JCS (Table 4).

Currently, in Ukraine the company’s subsidiary holds three enterprise units with a 99.6%, 90.3% and 91.7% share in each. BBH has a 20 - 22% share (Table 3) in Ukrainian market and its volume growth is 14.9%, the highest in the Eastern European market (Table 4). An overview of the Ukrainian market shows the rapid development of BBH’s volume over the last three years (Table 5) and a constant increase in per capita beverage consumption (Table 7).

Per capita beer consumption is growing, income levels are rising and drinking habits are changing (Table 5; 6). BBH's long-term goal is to be the market leader in all its target markets and to grow faster than the market average. It was totally independent enterprises; each of them has own organizational system. Recently, a process of integration has taken place: changes in management, organization, and in structural analyses.

www. obolon.ua/; www. suninterbrew.ua
3.3 Data collection

This section deals with how the data was collected. The section on research design revealed a demand for primary as well as secondary data, and real-time as well as retrospective data, but there are also many other issues concerning data collection that need to be addressed. The different sources of data are presented first in chapter, followed by a more detailed description of how the data were gathered and than some fragment for data categorizing and analyzing can be found in attachment 1. Data were collected in three ways: interviews, observations and some documentation

3.3.1 Primary Data

Interviews. The most important source of information was personal interviews. Only personal recollections and interpretations could reveal why and how the technology and knowledge transfer was made. The interviews also revealed that a number of local obstacles existed in the research process.

The interviews were semi-structured and based on a tentative research model. At the same time, the questions were open-ended and allowed the discovery of new issues, which could serve to develop the research model further. While the main issues in the interview guide remained the same, the exploratory research design opened up the possibility for adjustments in the process. Each interview was tape-recorded. The interview transcripts were supported with field notes, the author's travel diaries, respondents' sketches, lists, and e-mail and phone conversations with the respondents. All the interviews were carried out in Ukrainian, Russian and English. Completed versions of the interviews were forwarded to the respondents for reviewing.

Interviewees at different levels of the organization were targeted. Initially this was to ensure that any findings were not based on data coming from “one side” only. As it turned out, the different views that appeared through this multi-level focus became a major point in the findings from the study. The corporate level and the business unit level represent the two levels of analysis.
Most of the data was collected within the business units, as this was the main level of analysis. Within the business unit level, respondents were divided into top management, middle management and employees. Top managers included members of the management team such as top managers, middle managers, regional managers. Some of the respondents were the subsidiary executive officers, while the remaining respondents included directors, the vice president of BBH in Ukraine, marketing managers, and information managers. There were also selected respondents, who were key personnel in each unit: department managers of the companies, the decision-makers of the enterprises, and the deputy director of PR, the purchasing manager, department managers, the chief economist, and foreign representatives, including an expatriate production director from Lithuania and BBH’s corporate affairs director.

The structure of the interview was modified a few times. Besides, the interview in Ukraine was modified slightly for use in Finland, partly, because not all the questions were considered relevant and, partly, because the Ukrainian context made some additional information desirable. Twenty respondents were interviewed, including representatives from: BBH Head Office, which “just happened to be situated in Helsinki”, Kyiv Head Office, L’vivs’ka Pyovarnya and Slavutych.

The answers were recorded by tape and additional telephone calls were made, and e-mails sent to the respondents. Observations also provided rich data. The served as important supplementary data and revealed other types of information compared with interviews. The information obtained included how people related to one another, power relationships, informal coalitions, moods, and so on.

I have to admit that the most competitive representative of BBH that I interviewed was the Corporate Affairs Director. She provided professional and valuable information for the current case study, which helped considerably a lot to finalized puzzled picture of BBH subsidiaries in Ukraine.
Example of Interview Guide:

“How and to which extent can knowledge-transfer influence a firm’s technological competence and economic competitiveness?”

1 Respondent. Your role in organization.

2 The question what knowledge is being transferred is try to identify what knowledge is needed between foreign and local managers in term of construction technology (hard knowledge or explicit knowledge) and management know-how (or soft knowledge or tacit knowledge).

3 With question how knowledge transfer takes place - to identify the pattern of knowledge transfer. Success of knowledge transfer – to identify the influence factors of knowledge transfer; to identify the factors in achieving a successful knowledge transfer and the motivations of knowledge transfer.

4 Other questions were about: How can company acquire competence? How do knowledge transfer affect change outcome? Is it so that there are barriers in transfer of knowledge? What barriers and obstacles are present in technology and knowledge transfer implementation?

5 Questions were to find out: what forces and factors affect the development of subsidiary competencies; what factors influence the corporate integration and use of the subsidiary's competencies.

6 Questions related to the development of the subsidiary's competencies: the level of the subsidiary's competence, the recognition of its competence, the level of corporate use of the competence.
7 The subsidiary competence effect on the corporate competence development, corporate strategic investments, and the subsidiary's local business environment.

8 How does the way you perform your job today differ compare it before? What other changes on the working place affect you personally in daily life?

9 Has you been experience any transfer learning/ knowledge? How?

10 What would you do differently to get knowledge and technology transfer in order to increase competitiveness of subsidiary?

3.3.2 Secondary Data

Documentation and Internet data (*list target by company name) represents a good way to gain background information about the organization being studied. In addition it can serve to double-check other information.

The data collection also included a wide range of written material: annual reports, product manuals issued by business areas and subsidiaries, newsletters, web sites and so on.

3.3.3 Timing

Another dimension of currently research is the treatment of time. It involves qualitative methods and focuses on some cases during limited time period. The data may collect over short period. In current study it will be prolonged through summer until autumn and in February 2004. It uses the logic of analytic instead of enumerative induction (Lawrence, 1997, 29). Unexpectedly, the research time took longer than was planed. It was rather complicated to get excess to company and arrange interviews.
However, there were found the ways to contact representatives of company. The selection process for interviewing the right person was decided logically. The personal relations and networks in both business and private lives are still very important in Ukraine (and other Eastern European Countries).

The efficiency in business is based on personal relations with authorities and partner companies. Being able to rely on personal contacts, which are known to be trustworthy, bring stability and predictability to the unstable environment and the lack of established procedures and institutions.

As a base for studying was checked the companies annual reports and their product brochures, and given information on web site. The primary source of data is interviews with the managerial staff and other workers of different levels.

3.3.4 Criteria for Choice of Cases

Several researchers have argued, that carefully designed case study can increase generalizability based on replication logic similar to experiment designs (Yin, 1994; Leonard-Barton, 1990). This study’s primary aim is not to generalize findings to a large population. In current research case of corporate subsidiary units provide a useful foundation for comparison and created possibilities of learning about the phenomenon during the research process. At the same time, however, it is important to monitor and keep track of what is happening at corporate level.

In any case study there are unique features due to organizational characteristics and the personalities and role of individuals. The point is that without a theoretical framework, the researcher is in severe danger of providing description without wider meaning.

Case study have also been widely used in studies of organizational behavior, especially in understanding organizational innovation and change, as shaped by both internal forces and the external environment. A stream of case study research has been

Sometimes gaining access requires a trade-off in terms of giving something back to the organization. In my case, it became less involved than initially planned, and agreed to perform some evaluations in trade for interviews and process information. This involvement in the business units provided some information and observations, which could not have been attained by simple entering.

The key feature of the case study approach is not method or data but the emphasis on understanding processes as they occur in their context. The most important dimension relates to the number of cases investigated. Another, closely related, one is the amount of detailed information that the researcher collects about each case studied. Other things being equal, the fewer cases investigated, the more information can be collected about each of them (Gomm, et al., 2000).

In (Lincoln and Guba, 1979, 27) is rather different line and argues that two key questions must be addressed in thinking about generalizability: to what do we want to generalize; and how can we design qualitative studies as to maximize the generalizability of their findings in this respect – addressing these issues, is distinguish between generalizing to what is, to what may be, and to what could be. The purpose of the research aims to capture case in their uniqueness, rather than to use a basis for wider generalization.

3.4 Data Analysis

All data analysis has to do with classification; data reduction and method to analyze qualitative data remain rather informal (Dezin and Lincoln, 2000; Miles and Huberman, 1994). In this study are presented along with the methods used to analyze data.

The findings presented in research are the result of employing a sense making perspective. The attempt is to report on the findings in a logical and orderly fashion
structured by the research questions. The data analysis was far from orderly and logical however. In presenting the methods used to analyze data, the attempt is to clarify the steps from raw data to findings. This presentation is therefore more true to the actual research process than the presentation of findings in subsequent chapters.

As the description below will show, the analysis was rather messy, switching between inductive approaches and consulting existing theory. The goal here is to describe the analysis process in a way that makes it possible to follow and if necessary replicate the analysis. The presentation is divided into three overarching types of analysis: preliminary analysis, within-case analysis, and cross-case analysis.

Although data collection was guided by a theoretical frame model, although the process, analysis was kept open to interview. Interpretation and understanding of data takes place in the context of discovery.

Prior to analysis, all data were transformed by the researcher into a “database” (from recorder to notebook). Interviews were transmitted within a few days of the interview, as were handwritten. The database builds on two “systems”, one for storing and organizing all documents, and one for “indexing and coding”. The document system keeps track of all documents and text files while the index system organizes coding and keeps track of the way coding hierarchy. Once an index system has been built up, it is possible to change it, search it, and make reports based on it. In current case all interviews were processed and handled manually.

After the intensive data collection in each business unit a report was written. With the vast amount of data that qualitative research often involves, it becomes important to find an appropriate structure to be able to begin to analyze the data. The method for analysis, a narrative strategy (Czarniawska, 2001), involves construction of detailed story from raw data. The narrative strategy serves to make sense of a process through stories, meaning and mechanisms. In this study, the narrative strategy focuses on certain critical issues.

The sense making perspective focuses on how people at all levels of an organization make sense of their surroundings and actions related to the organizational context.
The learning perspective focuses on changes in an entity, based on processing of information and knowledge.

According to Janesick (2000:391), in an attempt to crystallize research, interviews, Internet sites, annual reports and brochures were used to gain a richer picture of reality. The data is interpreted by giving them meaning, translating them, making them understandable, by finding out how the people being studied see the success in future companies business, how they define the situation, which is impact of knowledge and technology transfer on firm’s competitiveness (Kirk and Miller, 1986).

3.5 Methodological Strengths and Weaknesses

All methodologies have their strength and weakness. Methodologies judged according to how appropriate it is for examining the research questions. In addition to this assessment, there are some implicit strengths and weaknesses with all methodologies. The strength and weakness of current qualitative research lies in the interviewing and interpreting skills of the researcher. The qualitative interviewer is involved in an inductive, not deductive process. Whether or not the interviewer has a clear idea initially of the data possibilities set up hypotheses in order to plan the interview guide and has to accept that the information then given will be multi-dimensional and unstructured in its content.

Strength of case study includes new theory that is likely to be empirically valid (Eisenhardt, 1989). These strengths are based on the close relationship between theory and data. The close relationship between data and theory also implies some weaknesses. Theories based on case studies are likely to be overly complex and narrow.

The strengths and weaknesses of the research process are built in the theory. In order to thoroughly evaluate, the findings of the study, however, the research design, data collection, and data analysis need to be assessed as well. Common research evaluation criteria include objectivity, internal and external validity, and reliability.
3.5.1 Validity

Four different types of validity are relevant to discuss in this study. They are all applying to current research: descriptive validity, interpretive validity, constructs validity, and internal validity.

The descriptive validity of study refers to the factual accuracy of the data and whether or not enough description has been provided to adequately understand the setting of BBH case in Ukraine (Maxwell, 1992). The descriptive validity of the data becomes a crucial point when it is assumed inherent beliefs and values that research has and that multiple realities exist within the research setting. Data was collected at some levels in BBH subsidiaries, L’vivska Pyvovarnya and Slavutych, situated in Ukraine and through multiple sources. The subsidiary levels include decision-makers, top managers and employees.

Interpretive validity has to do with the credibility of the current research in the eyes of the “research population” (Maxwell, 1992). This is also called the emic perspective. There is always the risk, however, that organizational members will disagree with interpretations researchers make, especially if the interpretations put the organizational members in a convenient light. Taking to account available possibilities only some interpreted interviews were forwarded to respondents for reviewing.

Another important validity requirement in this type of study is the ability to provide logically coherent and analytical accounts of the phenomenon. This includes both (a) construct validity: the validity of the concepts and (b) internal validity: the validity of the postulated relationships among the concepts. While descriptive validity and interpretive validity requires that the research is credible in the eyes of the researched, construct validity and internal validity requires that the current research is theoretical and analytical, and hence credible for other researchers.
3.5.2 Usefulness and Transferability

Usefulness and transferability replace the criterion external validity. External validity means “the extent to which one can generalize the results of the research and in qualitative, theory-building studies the researchers’ goal is to generalize to theory (Eisenhardt, 1989; Yin, 1994). This means the research aims to elevate findings to a higher level of abstraction. In generalizing to theory, the question of how useful and transferable the theory is becomes relevant since further research is required to assess the generalizability and external validity of the theory. In general, the more coherent the research is, the more useful and the easier transferable it will be. Using a multiple case design might increase transferability slightly. The current research accumulated experience could be useful and be implemented in new entered market with simple procedures and at low cost under specific circumstances by cloning. The main usefulness is focused to support company prosperity to make more profits in order to get leading position on the Ukrainian food market.
4 TECHNOLOGY - AND - KNOWLEDGE TRANSFER

The levels of economics development of the recipients positively affect knowledge transfer. Knowledge transfer is not obtainable if there is too big gap in term of economic development between transfer and transferee, despite the governments and funding agencies promote technology transfer. Scandinavian transfer alliance understood that gap between Ukrainian subsidiary transferee could be overtaken. Current study investigates the process of technology-and-knowledge transfer in and between learning organizations. Simplified view of the relationship between knowledge transfer and economic growth indicates that the demand for knowledge transfer grows as the economy increases (5.3).

Brief descriptions about MNC BBH subsidiaries in Ukraine and related overview of market are presented in subchapters 3.2.1 and 3.2.2. Some other information is combined in interviews and presented here.

This empirical part is an attempt to consider questions how to make the technology of real value to receiving organization, how to make them capable of applying the technology; how to transfer specific skills and knowledge, what knowledge is needed between foreign and transferee managers; to identify the factors in achieving a successful knowledge transfer and the motivation of knowledge transfer; and what barriers occur in technology-and-knowledge transfer in Ukraine.

4.1 Specific Challenges of Technology - and - Knowledge Transfer

In Ukraine, the political situation has evolved in a positive direction. Only slight changes took place in the exchange rates of the group’s major currencies against the Euro. The competitive situation is changing such that the largest brewing companies are consolidating their positions, while the small local breweries, which make poor-quality beer, are losing ground.
Some Ukrainian food companies rely on foreign investment in its various forms, because of the inability to meet the demands of economic growth from current indigenous resources. This is a short-term measure, but in the long-term Ukraine seeks the additional benefit of sustainable technology transfer. There are various modes of international activity that could have an effect. The investments are riding high. Concerning BBH business in Ukraine, beer market developed by 10 per cent and amounted to 568 million liters. For the last year (2002) sales grew by 23 per cent to 110.7 million liters, of which 93.6 million liters were beer and other 17.1 million liters were soft drinks. Employees from BBH subsidiaries remind that “beer culture is changing” also.

Technology transfer across international borders offers new business opportunities to enhance a local companies performance as in the case of Ukrainian breweries, L’vivs’ka Pyovarnya and Slavutych, that where acquired by Multinational Corporation Baltic Beverage Holding (BBH) and integrated as new strategic business units. “BBH is multicultural organization (MCO) and there is historical reason for this. The ownership of company is Scandinavian. The knowledge and technology is west – European. The areas of operations are Baltic countries and Eastern European markets. The organizational cooperate culture is derived from there. The model of operation comes from the west, but in process of interpretation are involved Baltic, Russian, Ukrainian and recently, Kazakhstan local management”, - shares professional view the Corporate Affairs Director in Helsinki.

According to her view: “technology transfers from their Scandinavian operations to their subsidiary units in Ukraine are, in BBH’s business perspective, mainly intended to capitalize knowledge resources. The final goal is to sustainable increase market share by improved product quality and/or reduced production cost of the subsidiaries”.

BBH gains leading position on Baltic and Russian markets and forcefully attempting to lead on the Ukrainian one, where it place only third position (lately it has shifted to the second one).
That is also true that there are different ways of measuring success of companies through alliance. The different sources of information provide an adequacy in determining what actual BBH subsidiary place in the Ukrainian market is. According to the words of the Corporate Affairs Director: “Whole BBH Ukraine, when will past Obolon’, is going to place second position on local market”.

Companies Sun Interbrew JCS and Obolon’ JCS, which are main competitors to BBH subsidiaries in Ukraine, keep a strong competitive place there (Table 4). “Our main competitor is Sun Interbrew”, - are employees’ answer. There were not given any credits that Obolon’ JCS is still there competitor, even though at the moment interviewing it still was. Simultaneously, “as a part of company competencies, - consider respondent from Slavutych, - there is necessity to make espionage to competitor company Obolon’ JCS and investigate there approaches and ideas. After comparing advantages in both companies, it is useful to transfer fresh ideas to BBH subsidiary or even, if possible, to make it better compare to competitors”. Indeed, it is very strong strategic issue on the way of achieving market leader position. However, it may contradict the corporate orientation emphasised by executive officer: “the group success is built upon its fundamental belief of being global, but acting local”.

“A shareholder agreement exists between the owners, which among other things, governs the decision-making process in the administration. The selected market areas show great potential for future growth”.

The strategy of MNC BBH is “oriented on international growth and increasing of investments”. BBH is the market leader in the Baltic countries and Russia, and ranks only third position in Ukraine. However, “lately it has shifted to the second one” (Table 7).

The Corporate Affairs Director describes this in the following way: “BBH is not regularly on the operational level. Their rule is to develop company: facilitating between developing of subsidiaries and supporting subsidiaries in different areas. Always, if company invests in a new unit first it comes with technology transfer. It has to be production technology to start with. The other functional experience is logistics,
marketing and support of local operation management. BBH is oriented on entering new markets and subsidiary grows. BBH focuses on the CIS and the Baltic countries. The current selected market area shows great potential for future growth. In terms of quality, BBH's beers can be compared to any Western European brands’.

The structure of BBH Ukraine is clearly oriented on inner market. And in some areas subsidiaries units see each other as competitors. How to be achieved the main goal and accomplish certain tasks is discussed with BBH Corporate Affairs Director from head office in Helsinki. “The local managerial system, which is powerful in know-how, plays important role in accomplishing the planning tasks. BBH is well placed for profitable growth in 2004” (Table 8).

However, “first of all BBH is interested to make profitable business, which is depends a lot on maintaining local market condition. That is why company develops people, which are running company. Competition is growing and there are needs in additional expenditure for marketing, and new approaches for sale products”.

Concerning BBH Corporate Affairs Director point of view: “there are a few ways how to became a market leader…they are: market share; to buy existing competitors; to buy good management; a good brand name; good breweries; not to buy straight all company, as it is very expensive; management are able to be developed, if there are resources; important - if there is high hierarchical support; to position brand; knowledge transfer, how to use new equipment for high quality product, which would make it highly marketable” (Table 8A).

The future task of company is oriented on the rapid growth and become a market leader in the Ukrainian market. Thus, to become a market leader, subsidiary companies [assumedly] will make integration of L’vivska Pyvovarnya and Slavutych, and in charge for this will be head office in Kyiv. “In practice, both companies have already started movements towards integration. In L’viv they are even situated on the same area, but with different names entrance on it”, - says employee from Slavutych subsidiary. The representative from L’vivska Pyvovarnya understands it in the way, that “just some units will be joined, for purpose to save corporate resources, whereas
other company activities will run independently as earlier”. Simultaneously, the company head office representative in Kyiv says, “it might be the future step”. Production Director in L’vivska Pyovovarnya mentioned that “currently is going discussion about integration. I do not know what they will decide. This is question, would they join and run together or not?”

Table 8A. How to Become a Market Leader

- market share;
- to buy existing competitors;
- to buy good management;
- good brand name;
- good breweries;
- not to buy straight all company, as it is very expensive;
- management are able to be developed, if there is resources;
- important - if there is high hierarchical support;
- to position brand;
- knowledge transfer, - how to use new equipment for high product, which would make it highly marketable

Source: Interview, BBH, 2005

Concerning leading position, some different thoughts are forwarded by Deputy Director on PR, which says: “we could be the leader on the Ukrainian market even tomorrow, if investments will be high enough”. “If compare to Baltic States or Russian markets”, - he adds: “the investments to Ukraine were much lower; and was like one third part compare to other countries - partners”.

Taking to account previous BBH corporate experience in rapid and successful growth in Baltic States and Russian markets, there are no doubts that it is possible for BBH easy to get on the first place on Ukrainian market, even within one year.

The high investments may quickly rich intend goal on a short time, but is it reliable approach and how strong it would be for the future. The director believes in this
Once BBH have got leading position in Baltic States and Russia, it is still keeping it. How long this pyramid can survive – only time will show how employees are committed. Today, BBH provides the highest salary for top managers in their companies. However, always might be appeared the stronger competitors or someone, who is willing to pay more, – can BBH then be sure about leading position?

Without skilful employees, money based pyramids might be not reliable and strong one. The real value that could be shared for a long-run relationship is knowledge processes sharing. The good name of company makes the employees.

Corporate Affair Director continues that it is: “obviously, that with a new added capacity BBH Ukraine will keep second position. Aspects related to the development of competence are increasing. Among the most important are following: having management development and product development – in order to get position brighter”.

She says: “in BBH’s case, it is knowledge of technology and brewery equipment, how to brew, what is the best practice, how to maintain quality, how to take care of quality. On the production level there are project expatriates to share tacit knowledge with local operational management”.

Study and training are also provided to put in balance BBH’s knowledge with previous knowledge that was accumulated by companies. "There is applied and offered entrance to the best BBH knowledge and experience. At the same time, there are needs of different kind of knowledge, as companies are on the different stages of technology - knowledge development. BBH creates joint practices and joint policies. Thus, taking to account that Estonia and Lithuania are furthest on the development process, so they share experience with other units”, - tells Executive Officer.

She continues: “Knowledge transfer on managerial level takes place on shared - value seminars. So, managers from each unit get common understanding of basic thinking, and how different areas links together. Working sessions and seminars course, depending on a demand, have regular basis”.
Using explicit knowledge effectively is one of the challenges of knowledge management, which apply to technology-and-knowledge transfer. The situations with both companies were alike: even the employees were friendly enough; they do have difficulties in sharing information (like in the post-communist time, when everything was secret). They may don’t want to share information or they may do not know clearly about company orientation and final goal.

At the same time, BBH head quarters in Kyiv and in Helsinki claimed that corporation invest in and care about education of their employees. Thus, on different bases are held training, seminars, and other educational meetings. Afterwards, it simply seems, they lack the necessary knowledge for the sustainable growth of company’s competitiveness. It raises questions: is it really efficient education is provided or is it just language differences making barriers for technology-and-knowledge transfer. “Actually, BBH has standards for business management in subsidiary company, and request to follow it and observe it. In practice, principally, all management in subsidiary is left for local system maintenance”, - executive officer says.

4.2 Barriers and Obstacles on Company Level

With regarding to the appropriateness and effectiveness of technology-and-knowledge transfer, Samli (1985) and Egbu (2000) models (Table 9A) with consideration of six dimension: geography, culture, economy, business, people and government in respect to technology and in knowledge addressing issues there were emphases five dimension, such as people, content, culture, process, infrastructure and technology. Various barriers and obstacles in transfer of technology and knowledge processes can influence challenge to management and competence of company. On a company level mentioned criteria are also identified (Lesik, 2004).

Concerning geographical issue applied for BBH Ukraine “it is also seen as cost issuers. Interaction between subsidiary units, seminars and conferences arrangements demands travelling cost and work time consuming”, - says Corporate Affairs Director.
At the same time, a manager from subsidiary unit told about his trip to Brussels, which was organised by BBH Corporation, to study Microsoft’s Excel - program. The study was held on English. Agree that it might be attractive on social level. However, besides geographical issue, it involves a few other influential cost aspects, such as language and usefulness. The knowledge of Excel - program skills are needed for everyday use in Ukraine and provided training could be simply confusing or at list extra tutoring afterwards is needed. At the same time seminars like “business culture of organization” took place in St. Petersburg. Wouldn’t it be more useful if organizational rewards meetings, specially, such as “corporate culture” will take place in any western European countries? Then, it might be possible to expect a more fruitful outcome.

Table 9A. The Technology-and-Knowledge Transfer Models

<table>
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<tr>
<th>KNOWLEDGE</th>
<th>TECHNOLOGY</th>
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<tr>
<td>Geography</td>
<td>People</td>
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<tr>
<td>Culture</td>
<td>Content</td>
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<td>Economy</td>
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<td>Business</td>
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<td>People</td>
<td>Technology</td>
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<td>Government</td>
<td>Culture</td>
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Source: Samli, 1985; Egbu, 2000

The geographic distance make physical distribution more difficult, while psychic distance create communication problems, such as public policy, traditions of the trade barriers and competitive forces.

The cultural issue in Ukraine, Baltic countries and Russia, where BBH involved in activity, Production Director from Lithuania thinks that it, - “has a lot in common, because they share the same background for a long time and inherited “soviet style way of thinking” experience”. “The managerial system was highly hierarchical, that
is why a lot of people are used to it, getting orders from the top and showing not so much own involvement”. However, - he continues: - “lately, there occur extremely rapid changes”. He convinces: “there are always possibilities to educate employees”.

Deputy Director on PR of Head Office in Kyiv claimed that “there are not enough high-qualified employees in Ukraine, especially higher than <middle level> (it meant with Ukrainian higher education). But there is nothing done even from company’s level to attract young generation that has already European education. Taking to account, that “employed working team is changing all the time”, the way of recruiting new employees is corrupted and seems not to be oriented to hiring young talented and promising employees.

More than this, applying to such a company, they would be very often refused as a candidate; instead, “there are organising teams from, so called, almost-graduated students, on competitive bases from the universities, for purpose to visit short educational program, mainly in summer time, to one of MNC BBH home countries, such as Sweden or Denmark. Additionally, the promising candidates are training by company’s own costs and are encouraged to visit training or course programs”. And they suppose to be the future well-educated working team for BBH subsidiaries in Ukraine. There are no stringers in the team, only potential “candidates” through connections. There could be several explanations for this, which are all routes to still present strong hierarchy system, and which are still using connections and other bureaucratic tricks. Such an uncontrolled situation, including finance flow without any feedback of it in one side and luck of it in other one, which push employees to espionage, - may harmfully influence subsidiary competence already in the nearest future. Probably, the above, also, explained why BBH Corporation Executive Officers emphases each time that “there is investing enough amount in staff education”.

Consequently, it seems that company has problem with employed personal. Further evidence for this is fact that employees do not feel confident to share information. That is true for any company that employed team in some how always resemble director of company, his behaviour, his work approach, his view of understanding of process. However, in each company could be found the blossom of it. It should be
bare in mind that quality of employee team is aim for company in the way to achieve success.

BBH working languages are “English and Russian. Ukrainian or any Baltic languages are used only in more practical and specific aspects”, - says Corporate Affair Director. She states that: “language is not problem or obstacle for corporation”, but agree that “language involves extra cost issues, and particularly on interpretative bases” and continues that: “studied Russian language some time ago”. How good is Deputy Director English is a question, however, he must also study it at school. But his Ukrainian language skills were significant.

Production Director from Lithuania, who is an expatriate for the second year in L’vivs’ka Pyovarnya and who speaks perfectly Russian, adds that “language does make difference and is important issue on an everyday basis. Language is a part of culture. The limited language skills create a sense of remoteness and disconnectedness”. He used even some Ukrainian and says that: “I am learning it. I like to understand people. It helps a lot on the working place”.

Managers from marketing and information departments emphasise that: “language could be a problem”, - and if there would be possibilities they: “are ready to participate in educational program and even on English language one”. At the same time, for purchasing manager, who has studied his English at school, those skills are enough, as “the only places where English is used, are conferences and international meetings, which are organized not so often”.

It should be taken to account that differences in language, business customs and ethics, lifestyles and values, and other cultural dimensions often complicate foreign business transaction.

Executive Officer in L’vivs’ka Pyovarnya, for example, says that: “employees are against to use Russian language; they would rather study English”.

BBH’s sustainable development is human resources. The Deputy Director shares his view that: “some problems are appeared after training and education - how to
withdraw qualified employee not to move to other company”. At the same time the regional manager says: “for this purpose or others, but this is the fact that the company’s salaries are among highest in Ukraine. Besides, there are attractive perspectives for professional carrier and inner personal grows. BBH has also practice to involve local managers in co-owners coordination, getting their entrepreneurial experience. In this way, owner, who is far away, can rely on local partners, which have sharing of small part of ownership and getting feeling as working for own breweries”.

Company is constantly looking for new employees. The competent people are in demand. An Expatriate in L’vivs’ka Pyovarnya tells that: “there are some people here, with whom it is possible to work”. Another one continues that: “employees are devoted to accomplish certain task” and “we have to use all possible and impossible methods in a way to achieve our goal”, - adds another Executive Employee.

Production Director emphasizes that: “my difficulties are this that I am not going to stay here for a long time. The person should be someone who likes and wants to be here. There are some positions on managerial level that request local person”.

Concerning the effectiveness of technology-and-knowledge transfer, he emphasizes that: “in Lithuania it was differently. We collaborated together with our partners. We saw how they <Swedes> are managing with different tasks and tried to do the same. When they left us, we continue to work, like they had taught us. They just grabbed us and putted on the five levels higher. And did helped us a lot not to fall down”.

The legislation law in Ukraine “is the source of many problems for subsidiary business”, - emphasizes General Economist. “If to consider that there are, already, three functional enterprises units, the integration of them is still withdrawn. Besides everyday orders, which suppose to be quickly fulfilled, there are other questions to be solved concerning company integration, and all of them hardly depend on legislation law. This is timely and high cost consuming activities. My pressure to fulfil tasks and orders are just too heavy”. The Expatriate Officer says that: “sometimes it is even hard to understand them <legislation law> and sometimes very difficult to overcome them <legislation law>”.
The Deputy Director on PR confirms that: “even company try to hold transparent business... and tax rate payment is among the highest in the country, there are a lot of contradictions in business law environment, that interfere subsidiary on everyday bases”.

4.3 Barriers and Obstacles on Social Level

Among all other mentioned above barriers and obstacles on subsidiary level management, there were identified barriers and obstacles on social level as well (Lesik, 2003a; 2004). It presents two types of barriers, faced by Ukrainian business – general barriers, which are broadly defined in literature and regulatory barriers in particular (Table 9B). Lately, some improvements have taken place in enterprise perceptions of many government regulatory activities.

Table 9B. Regulatory Barriers

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<th>REGULATORY BARRIERS</th>
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<td>Taxation</td>
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<tr>
<td>Inspections of Financial and Business Activities</td>
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<tr>
<td>Custom Procedures</td>
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<tr>
<td>Certification and Standardization</td>
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<tr>
<td>Permit and Approvals</td>
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<tr>
<td>Licensing and Regulation</td>
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<td>Unoficial Payments</td>
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Source: Nemickas, et al., 2002; Lesik, 2004
Against these improvements, administrative barriers remain significant procedures and continue to be complex, lengthy and open to corruption (Nemickas, et al., 2002). General Economist says that, “*the most significant barriers to business growth are taxation issues and frequently changing regulations of business activities*”. Extremely sharp business point is unofficial payments, often required of enterprises to complete regulatory activities. However, executive officers insist, that: “*company do not practice such activities. There is used transparent approach of running company business*”. Some other subsidiaries’ representatives confirm that: “*company are not involved in such activities under any circumstances*”.

It is not news, that one of the most sensitive aspects to conducting business in Ukraine is the existence of *unofficial payments* as part of the means of doing business. Given the illegal nature of those payments, it is understandable, that a significant share of firm considers such activity confidential.

“The "Concerning BBH, it is the company with a good reputation in and high business transparency in Ukraine. BBH Ukraine regularly is paying taxes, which rate is one of the highest in country”", - shares his view the deputy director.

When considering such issues, Ukraine is considered as the country with high bureaucracy and administrative conditions. It ranked 83rd out of 91 countries* (corresponded to results of 2001), when measured on corruption issues. If BBH in Ukraine really found the way to refuse this customary and handle successfully business, than it is might be considered as a great privilege for company. Besides, it is very positive sign for any other company.

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*Cabinet of Minister’s Resolution “Regulation on State Registration of Business Subject” [implemented in 1998]*
Also, responsible employees emphasize that: “regulations are often confusing or unclear; many regulatory activities lack a comprehensive legislative basis; information about regulatory requirements is lacking”, and procedures are typically overly complex (UMG, 2002).

Taxation** was rated the most serious obstacle to business development both on social and company level. For more than a decade, the taxation system has been a major problem of business development in Ukraine. The fact that tax rates in Ukraine are relatively reasonable when compared to other European countries. Subsidiary managers recognize taxation as the most significant barrier on the growth and development way of company.

“There has been some progress for the last two years”. In 2001, Ukraine made 116 separate changes to tax laws and regulations, including 44 changes by Parliament, 25 by the Cabinet of Ministers, 27 by the Customs Department and another 20 by the State Tax Administration (Nemickas, et al., 19, 2002).

In terms of its value-added tax rate (VAT) of 20%, Ukraine is ranked 57th - 62nd among countries included in the Global Competitiveness Report (2001). However, there is more to it than just the size of the rate. Countries such as Finland, Czech Republic and Poland have a VAT rate of 22%, Slovakia 23%, Norway 24%, while Denmark, Hungary and Sweden have a VAT rate as high as 25% (Nemickas, et al., 2002).

In the same time these countries have demonstrated steady economic growth in the last five to seven years and have no problems in refund delays. The taxation matter in Ukraine, in both its fiscal and administrative aspects, continues to be seen as the single largest barrier to business growth and development.

_____________________________________________________________________

UMG – Ukrainian Marketing Group; **use in term: duties and other mandatory payments
A planned inspection is an inspection of a business entity’s financial and business activities, which the responsible agency has included in its annual work plan. The inspection is conducted at the location of the business entity and must be scheduled with 10 days prior written notice, specifying the date of inspection. The date of this collective planned inspection is determined by the State Tax Inspectorate.

Subsidiaries are engaged in import-export operations and find the customs process too costly, too time consuming and too complex. Purchasing Manager says that: “it is waist of valuable working time. It requests each time to make trip to custom, to complete required documentation, than back to company and besides all others obstacles the routes are bad”. According to interviews results, violations of customs procedures occur most commonly with completing customs documents, dealing with customs controls, and business border crossings.

The regional customs authorities often establish their own rules. To improve current customs practices the measures of harmonize customs procedures and relevant documentation with European Union and other international standards should be implemented.

The certification process is a government regulatory procedure intended to ensure product quality to protect the health and safety of the public. New legislation has been passed in an attempt to bring Ukraine in line with European standards for product certification. In 2001, the following new laws were adopted: “On Conformity Assessment”, “On Standardization”, and “On Accreditation”. However, until new technical product specifications, required by these laws, are approved by the Cabinet of Ministers, the Decree on Standardization and Certification dating from 1993 remains in force.

Mandatory certification procedures are applied to both imported products and to products made locally. Certain categories of foreign goods, even if they have been certified in their own country, are subject to re-certification in Ukraine, using local standards. Products may, also, be subject to repeated certification.
The laws and regulations that govern permit procedures are often unknown to businesses, while information is not readily available at one location, obliging business owners to spend a substantial amount of time attempting to obtain information about the process.

“There is no special governmental advisory body providing information about procedures for obtaining permits and other customer’s procedures”, - continues employee. Attitudes toward the permit process differ widely by region and local level. It would be reasonable to establish a centre for obtaining all permits at once and make clear procedures and guidelines for responsibility in case of violations. The complete description of permit requirements, which include all information required for submission widely available and fees involved. To harmonise customs procedures and relevant documentation with EU and other international standards should be implemented.

To conduct certain types of activities, a business must apply to licensing body either the local or national executive authorities, for license. A license is an official document certifying the right of the licensee to conduct a specified business activity during a particular term.

Licensing, as one of the principle regulatory activities of government, is also conducted to help ensure and promote the public health and safety; intended as a means to help protect the interest of legitimate businesses from unfair practices used by firms operating in violation of the law. When applied properly, licensing procedures can also help to ensure that businesses adhere to minimal standards of professionalism. In the general terms, Ukraine has made significant progress in improving its licensing activity. By the end of the year 2000, for example, the number of bodies with licensing powers had declined from 825 to 58 as result of the enactment of new licensing legislation.*

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*The Law “On Licensing”, Parliament, June, 2000 [came to force in November of the same year]
(Summary of changes that have been introduced with the new legislation.)
Ukraine has made substantial progress in establishing the legal basis and framework for licensing. The Law “On Licensing Certain Types of Business Activities”**, which is about 61 licensable business activities.

However, in the short time since implementation 14 separate changes have been introduced to it: twice in 2000, eight times in 2001 and four – in 2002. These changes have served to complicate the process and confuse businessman. This is the example of the kind of obstacles frustrate Ukrainian business environment. Frequent changes to regulations covering business activities were identified as the most serious regulatory obstacle to growth***.

**[Article 9] conducted in October 2000

***List of additional documents determined by Resolution 756 of the Cabinet Minister, July, 4, 2001

“On approval of the list of additional documents submitted with application form for obtaining licenses for certain types of business activities”.

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4.4 Managing of Technology-and-Knowledge Transfer

Managing knowledge means managing people, and doing this in a way that allows them to give of their best. The role of middle managers: they play the mediation role, interceding both between top and bottom, and between internal and external forces. More importantly, they are often the main knowledge transferors.

A quality of employee team is an aim for a company, but how much BBH Corporation cares about their employees, who are supposed to create value for company, is still the question. There is thought that employee resemble there director, his ideas, his approach to work. The leader knows how to share own high value principles with others. Are there any principles in knowledge approaches, only more deep research can identify?

More often there is a practise in the corporation to hold international meetings at the St. Petersburg Head Office or in Moscow. “In this way, - the Corporate Affairs Director emphasized, - the corporation are saving a lot on language cost issue, as well it includes transportation and other costs issues. Besides, as only some foreign representatives need interpreters, the others could use Russian, as the working language. There are running other projects, when representatives from Ukraininan subsidiaries are requested to visit Russian subsidiaries in order to transfer the experiences, which applied to certain projects”. Taking into account, that subsidiaries in West-Russia, as well in Baltic States, are going ahead, many projects, which were accomplished there, are supposed to be transferred to the corporate subsidiary in Ukraine. Such transferring of knowledge through a “middle man” shows that this way of knowledge transfer might be not efficient enough (if BBH Ukraine is still on the third/second market position) and does not show high competence in transferee concerning some achievements. BBH Baltic States representatives equally good can manage in Russian.

In business, the role of the middleman is not desirable, as the third part is characterized to withdraw sufficient part of information and keep receiving part dependable. This resembles the BBH relationship between Russian subsidiary and its
Ukrainian one. These might be consequences due to absence of visa requirements between Russia and Ukraine. The BBH corporation may think that they are saving a lot on experience sharing in order to bust and rise cooperation between them, and do may not understand that they would benefit more if change strategies. The alliance would benefit more from the case if it will keep direct relations with the receiving party. The mechanism by which the corporation’s knowledge is transferred needs a certain amount of reassessment.

Here it has to be added that tacit knowledge is the skills of knowing how. The two types of knowledge, explicit and tacit are complementary. It is difficult to communicate and share tacit knowledge, related to feeling, emotions, and imagery. This is personal knowledge that is deeply rooted in an individual's experience and consciousness and is fashioned by his or her experiences, values and culture. It is knowledge of how to do something and is often the driving force behind the learning of skills.

The head office in Kyiv gives the impression of being part of a chain, which conducts business with many “middlemen” on the chain, and each of these strives to demonstrate their own significance. If compare it to other foreign companies, which are active in the Ukrainian market, and have a more positive and constructive approach to doing business, could be seen that the BBH corporation cultivates business by using a <middle man> strategy.

In BBH’s subsidiaries, the top staffs were the busiest people I have ever met in my life. They might be really busy with solving own numerous problems or maybe they just don’t know how efficiently organized their work to have productive outcome. Should such a successful corporation hesitate to share their experience and knowledge in the age of information?

The management needs to focus on understanding the dynamics and the psychology of its employees. One example could be manager of marketing in L’vivs’ka Pyovarnya, - she makes promises in the company’s name, without producing any consequences fulfillment; which rather emphasizes her personal unresponsibilities and do interferes company name making it lousy among customers and business partners.
Could it be company educational outcome? Tacit knowledge is difficult to control in a predictable way. Most employees see the knowledge they possess, as their own intellectual capital. They feel no much obligation to share it with others, not even in the subsidiary. They see it as personal and private. In organizations that have a good name, individuals perceive their greatest asset to be what they know. For them, knowledge is power. Their unique information gives them status, and often guarantees that they are listened to and consulted. The person, with whom they shared the in knowledge, may use these ideas as their own. Alternatively, once their knowledge is in the public domain, they may no longer be seen as valuable or important.

Managing knowledge is as much about good people management as about information and data processing. Processes need to be found to make tacit knowledge communicable and available to as wide an audience as possible. Ways of making tacit knowledge more explicit need to be found, so that it can be more readily shared. BBH needs to build structures that will make people enjoy sharing their knowledge. This often involves offering positive rewards for knowledge sharing, and giving a value to this practice.

Furthermore, there is a view, based on previous studies and current research that the policy of BBH’s subsidiaries does not acknowledge the real competitor and does not give credit for what they have overcome. Placed third or second in the market, there is a degree of ignorance as to the real situation of BBH’s subsidiaries in Ukraine.

The situation can change at any time if the company strive so hardly for leading position. According to numerous sources of information, such as company press-releases, correspondence, telephone contacts, and the internet information, at the moment of interviewing BBH was not placed second position in the Ukrainian market, but in interviews this was mentioned numerous times.

Competence is a strategic resource of a company. However, in current case, there is the impression that subsidiaries do not build competence, but just buy it each time it is needed to get on to the next highest level. Competence means that knowledge is tied to a problem that needs to be solved and is related in action.
The Scandinavian corporation management approaches resemble somehow soviet way of management, achievement of planed goal under any price and under any circumstances. Any company, which plan long run profits business, would care about the employees’ education. However, long term success in the marketplace increasingly depends upon people learning, yet most people do not know how to learn.

The general economist has her own view: “There is no constant connection between departments in the subsidiary. As a result there are delays in delivering certain information or documents. And, particularly, for the department of finance it causes problems. That inner problem has recently reflected in external penalties for the company”. There are some other learning problems that often arise on the working place, she continues: “for example, new instructions were forwarded. No one has any idea how to apply it at work, and there is doubt as to where one can get any kind of explanation about it. How can one work with this? Methodology and approaches are changing all the time, and not always in better direction. Some of them cannot even survive”.

In the organization there is a huge amount of information and data available, all coming from a multitude of sources, in all sorts of forms. It may come from the organization's staff, from its business partners, customers or suppliers, and from a range of other sources, including online databases, trade catalogues and magazines, product manuals, trade fairs, exhibitions, seminars and external consultants. It may also take the form of intelligence about competitors.

Formal knowledge comes in a wide range of formats such as official policy documents, scribbled notes, reports, e-mails, correspondence files, and web pages, notes of telephone conversations, letters, memos, financial records, staff handbooks, and minutes of meetings, telephone directories and database records. It can be the result of the work of individuals, committees, teams, project groups, working parties and focus groups. When an organization seeks to be market leader (a brand leader) it is seeking to develop and exploit its knowledge assets for competitive advantages. Its exploitation of formal knowledge can give it the lead it seeks.
4.5 Summary on Technology-and-Knowledge Transfer (Empirical Part)

There are three important aspects to summarise technology-and-knowledge transfer: development of subsidiary competence, integration and increases of competence.

1 Development of subsidiary competence: It could be summaries from above that technology-and-knowledge transfer mechanisms, adopted within MNC, BBH were mentioned following aspects (which refers to von Bonsdorff and Lindell, 1997) and further development:

- cross-border assignments (employees mutual transfer for a certain period of time);
- forums (meetings, not only for technical people);
- electronic linkages (electronic mail);
- international team (gathering people for a specific projects);
- transfer of technical knowledge;
- personal flows;
- international meetings.

It just needs further development. In order to develop the subsidiaries competence, among the needs of the users and the characteristics of the technology, are the capabilities of the developers. Their ability and capacity to develop new skills and approaches has a good base. However, particular attention should be paid to who delivers certain information and how it is delivered.

From an analysis of the interviews described above, it emerges that support for knowledge transfer refers to the following categories:

- information, which should be different in nature;
- training, particularly specific methodologies and techniques to concord task in efficient ways;
• consultancy, which is helpful in adaptation; qualification, providing companies with quality and support of existing infrastructures;
• integration, involvements in agreement of neutral role and controlling behavior.

2 Integration: BBH’s success of technology-and-knowledge transfer in competence development forward company towards a leading position in the market. This is the goal BBH Ukraine is striving for. The integration between the subsidiaries, a process that started already in BBH Ukraine, will obtain new resources for product development and will create other advantages. Usually, integration is accompanied by great expectations. The main criterion for managing integration is a capacity for learning, which Ukraine has. It was the most educated country in the Soviet period. The BBH Ukraine subsidiary will have to build higher competence sustainability in order to be a market leader.

Factors, which are important in the case of BBH Ukraine technology-and-knowledge transfer, are included:
• moving people between departments (internationally);
• transition teams, visits, personal interactive contacts (beneficial results);
• supportive climate of technology transfer (government support).

3 Increases of competence: Initially, root knowledge is needed as a base for absorbing new information, and root knowledge could be absorbed through international education and experience. Root knowledge is related to the information that is absorbed, where the information is processed into knowledge by taking a stand on the information by accepting or rejecting it, by exposing the information to criticism and putting it into an understandable context, and thereby the knowledge types, facts and comprehension are tied together. The skills and intimate knowledge that are developing in this process is competence, which BBH needs further development in order to become market leader. Applying to a working frame, competence is a dynamic concept and relates to an operation, a strategy, or a goal. Competence depends on the environment that is competence exists in a social situation. Competence means that knowledge is tied to a problem that is to be solved and is
related to action. Moreover competence is based on knowledge. Core competencies involve collective learning in an organization, especially how to coordinate diverse production skills and technology.

Taking into account the three types of competence (Figure 5), which are interdependent, will interfere market competence if technical or organizational one is luck of sufficient development support (Lesyk, 2005). Deficiency in knowledge supply leads it, in the current case, to absorb knowledge not from its own corporation subsidiary, but to look for it in other companies-competitors which is not always done in an honourable way. There are various opportunities and interest for western countries to deliver the latest cut-edge knowledge to the recipient. While Ukraine lacks of up to date knowledge, it is, however, open to the flow of information. That is why, the basic source of knowledge are the companies it is cooperating with. As the research study shows, not enough attention is given to the sources of foreign subsidiaries’ competence such as environmental factors, corporate factors and local business network factors.

Understandably, investors are more interested in obtaining profits with minimum levels of investment, but, usually, the higher the contribution the higher return. The current case is suitable for such a business venture. Employees of BBH Ukraine are rather undemanding, but hardworking on the way of their goal achievements. The headquarter officer says: “in any case, the outcome is greater than we expected”. The case of BBH’s subsidiaries in Ukraine shows that technology and knowledge transfer can be achieved with low costs and with simple approaches, and at the same time gives high profits in return.

Various barriers and obstacles, concerning the Samli (1995) and Egbu (2000) models could be simplified and overcome in a relatively short period of time given certain specific circumstances.
According to the framework assumption of BBH, the subsidiaries case in Ukraine, L’vivs’ka Pyovarnya and Slavutych, have undertaken fundamentally new roles in the multinational corporation and have tasted a foreign subsidiary’s competence (Figure 6 A). Technology-and-knowledge transfer in BBH Ukraine supposedly reflected on the subsidiaries largely developing their own resources and competencies, instead of inheriting them from the corporate parent. The study of the sources of a foreign subsidiary's competence reflects certain categories: environmental factors, corporate factors, local business network factors (Furu, 2000) and local environment determinism; head office assignment and subsidiary choice by Birkinshaw and Hood (1998). The technology-and-knowledge transfers in the subsidiary’s systems are interdependent in resources and responsibilities and include different subsidiary units, which maintain a form of cooperation among the corporation’s dispersed units. Thus, it reveals cross-border integration, obtained as integrated funding systems, joint projects and the cross-border assignment of technical personnel. Obtained in the way of integrated finding system, joint projects and cross-border assignments of technical people, connection between central office of head quota and BBH Ukraine subsidiary (Figure 6A) – shows how a corporation can benefit and, at the same time, will have more advantages if it has direct connections, and does not transfer knowledge through a middle man. In current case knowledge transfer to Ukraine is mainly achieved through the BBH Russian subsidiary, which is not desirable as a way of getting a leading position for the subsidiary in the Ukrainian market.

The meaning and purpose of the middleman do not always correspond to the interest of the receiving party, which contradicts the view of MNC competitive advantage, which is based on how efficiently resources sharing are shared.
Figure 6A. Foreign Subsidiary’s Competence in BBH

Assignments and investments

BBH BOARD

CRLSB

BBH

S&NCL

subsidary business environment

Baltic States

Russia

adaptation

subsidiary network

Ukraine

K
The sophistication of the business environment that surrounds a business company has an influence on the development of competencies in it. For instance, the subsidiaries L’vivs’ka Pyovarnya and Slavutych of an MNC operate in a business environment that consists of suppliers, competitors, customers, government agencies, and infrastructure, which all have a potential impact on the development behaviour of the corporation. The higher and more sophisticated the customer demand and the more intensive the levels of competition, the bigger the opportunities for improving existing competencies. Also in Porter (1994), there is evidence of a clear link between the performance of a firm and the dynamism of its environment. Now the customer demand is growing faster, than the company’s ability to satisfy it.

BBH’s subsidiary in Ukraine largely develops its own resources, and is able to accumulate knowledge of clusters of geographically concentrated companies. Positive consequences of it are the favourable environments that have a competitive advantage over companies that compete in the same industry, but that are located outside these clusters, for instance in Kazakhstan or Ukraine. It is, therefore, crucial for any company that aims to be a leader in its field to be present in the leading clusters where new developments take place. Competition in new developments inspires superior performance and is the engine that drives the economy and accounts for success. To explain the superiority of the Ukrainian economy for the company’s competence could be identified four main factors:

- availability of skilled labour and infrastructure (the most educated nation in soviet time);
- existed market demand;
- related and supporting company’s strategy;
- structure and competition.

According to Porter (1990), there is a strong link between domestic competition and the creation and maintenance of competitive advantage in an industry. All these factors together create both pressures and the preconditions for a company to improve quality, to innovate, to reduce costs, and to invest in advanced factors.
5.1 The Subsidiary’s Business Environment and Competence

Porter's (1990) model of national competitive advantage implies that companies should seek dynamic and competitive environments. In such competitive environments, firms are able to turn possible selective disadvantages, as these put pressures to innovate and find creative solutions to overcome the disadvantages. This does not apply in the case of BBH’s subsidiaries, as their main idea is to transfer knowledge about technology. When it comes to the multinational corporation, the model implies tapping into selective advantages in other nations, and adopting a global perspective and strategy. The consequence of this is that the foreign subsidiaries of a MNC, including case of BBH’s subsidiary in Ukraine, are conceived for creating specific competitive advantages for the whole corporation. In other words, the MNC has the potential to build up a competitive advantage through the international integration of innovative activities and competence in several competitive environments. In BBH’s case, there are markets in the Baltic countries, Russia, Ukraine and other select markets.

The subsidiary's strategic importance to the MNC is largely influenced by the significance of the subsidiary's national market (in current case it is Ukraine, but it can equally apply to any other BBH foreign market) to the MNC's selected market strategy (Bartlett and Ghoshal, 1989). Corporate strategy may identify national markets like the Baltic States and Ukraine, where the company's presence is essential in order to observe cutting-edge technology. Thus, subsidiaries located in markets with cutting-edge technology will be able to assimilate some of this knowledge and turn it into a subsidiary-specific competence and a competitive advantage. Consequently, competent BBH subsidiaries are seen as a source of competitive advantage for the whole MNC, particularly in the newly entered market of Kazakhstan.

This involves a move from viewing foreign subsidiaries as merely extensions of the home base towards seeing them more as the primary drivers of the strategic development of the MNC, which will drive the corporation’s expansion of its subsidiaries. However, this does not apply to Ukraine to have enough resources to
support their own internalization efforts. There is not enough evidence to discuss this issue here. The BBH subsidiary in Ukraine is oriented to the inner home market, and internalization do not considered as priorities so far. The subsidiaries, L’vivska Pyovarnya and Slavutych, are themselves seeking dynamic and competitive environments in which they are able to learn about the local knowledge, as well as create new and further develop their own competencies.

There are two main factors that are important for the discussion of competence development at the subsidiary level in a MNC: resource factors and structural factors. The resource factor is received inputs from the corporation for the subsidiary’s operations. This input varies in both degree and nature. The structural factor is the most important as regards of investments and decision-making powers. These factors develop the subsidiary’s operations and competencies in the direction that is important for the realization of its business goals (Figure 7).

It seems that in the Finnish decision-making centre, in which the entities are so linked, by subsidiaries that one or more of them is able to exercise a significant influence over the activities of the others, and, in particular, is able to share knowledge, resources and responsibilities with the others. If the middleman withdraws his knowledge, this influences the resources and possible success of any subsidiaries in the result.

5.2 Different Task of the Subsidiary

In MNC subsidiaries play a different role. That is why, subsidiaries carry out different tasks in the corporation. Depending on the task of the subsidiary, top corporate management may allocate different types of resources to it. BBH Russia has too many tasks and resources to solve on its own, as the market is huge. There are more than enough tasks to carry out there. It would be more reasonable for the corporation and more productive for whole alliance to escape such a way and keep direct connection to Ukrainian market. In this way, each market would follow their own task fulfillment, and the corporation would benefit more.
Figure 7. The Role of Investments and Decision Making in Subsidiary
Cross-cultural interaction creates challenges for businessmen. That is why it is important who stands on the other side of the interactive process. However, it seems that Scandinavian (Finland is responsible) decision-making centre, in which the entities are so linked, by subsidiaries that one or more of them able to exercise a significant influence over the activities of others, and, in particular, to share the knowledge, resources and responsibilities with others.

Simultaneously, a subsidiary in a MNC, which only handles the sale of a few standard products, is not likely to receive large amounts of resources to develop its operations and the case of the subsidiary in Ukraine seems to prove this. It is recognized that there is a difference in resources supply even at the BBH Ukraine level between the subsidiaries L’vivs’ka Pyovarnya, Slavutych and the newly opened brewery in Kyiv. Consequently, they must have different tasks in the corporation. In many cases, the headquarters, more or less explicitly, demands that the allocation of resources result in some product or system that can also be used in other parts of the corporation.

The resources of and the capabilities developed by the subsidiary have, therefore, the potential to effect a change in the corporate role of the subsidiary. In other words, corporate role and resources may function as both antecedents and consequences of one another (Figure 8).

The autonomous behaviour of the subsidiaries has been found to have a positive effect on the innovations and performance of these units. The advertisement campaign of L’vivs’ka Pyovarnya is strongly competent. In the same manner, foreign subsidiary managers “who autonomously pursue opportunities they perceive and take initiative are more likely to develop new capabilities that are valuable beyond the local context” (Birkinshaw and Hood, 1998). Control over critical resources may also lead to more autonomy and power. This often means that the subsidiary develops the competencies that it needs to succeed in its local operations. However, “too much” autonomy may be harmful for the subsidiary, as it can become isolated from the rest of the corporation and “lose the favourable position it once had for its competencies”.

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Another factor influencing the subsidiary's competence development is the structure of the multinational organization. This factor is obviously related to the corporate role of the subsidiary: the tasks carried out by the subsidiary have an impact on its structural relationships to other units within the corporation.

Figure 8. The developing of subsidiary competencies

![Diagram showing the relationship between Firm Success, Competitive Advantage, Resources, Intangible, and Tangible]

Source: Forsman, 2004

The subsidiaries’ manufacture and product flows are likely to be integrated in the MNC. In the future it is likely that L’vivs’ka Pyrovarna and Slavutych will be integrated. In any case, how the MNC is organized has clear implications not only for the opportunity of the individual subsidiary to develop its competencies, but also for other corporate units to use the subsidiary's competencies (Figure 9). It could be seen that theory often differs from practice.

Organizational competence depends upon knowledge, on organization’s individuals, and explicit and tacit knowledge. Who delivers the knowledge and how is crucial for Ukraine now.
Figure 9. Subsidiary Competence

Technological Competence

Competitive Environment

Organizational Competence
  - Organizational Knowledge
  - Expl. Knowledge
  - Tacit Knowledge
  - Individual Knowledge
Building interdependencies between the organizational units of the MNC allows knowledge and product flows between different units, on different levels, which increase the possibilities for interunit interaction and communication. However, employees should be trained and be knowledgeable about this.

This in turn permits the different subunits to assimilate knowledge from each other and to develop their own competencies, given that they have some degree of absorptive capacity to understand each other's knowledge base. At the same time, interacting with other units within the MNC results in a greater appreciation of the various knowledge bases and argument the subsidiary's absorptive capacity. Furthermore, the fact that the subsidiaries are part of the same corporation, in itself, increases the relative absorptive capacity of the units.

BBH’s subsidiaries in Ukraine, the Baltic countries and in Russia, who have previous knowledge and understanding of each other's competencies and contexts, are more inclined to share their competencies with each other. This involves both transferring competence from one subsidiary to another as well as receiving valuable competence from other corporate units. Being a few stages ahead in experience, BBH’s subsidiary in Russia, however, often shares its experience with subsidiaries in Ukraine. Without interacting and creating a shared understanding of each other's “competencies and contexts, these transfers will be eroded” (Leonard-Barton, 1988). However, sharing understanding constantly with only one country’s subsidiary could also erode the transfer outcome.

The structuring of the BBH subsidiaries of the MNC in Ukraine and, thus, the interaction between the L’vivs’ka Pyovarnya, Slavutych and Slavuta Malt House units is to a large extent affected by the level of corporate diversification. If the businesses of various subunits are unrelated such as the Slavuta Malt House, there is less potential for transferring competence between the units. This suggests that building knowledge on a common base provides increasing possibilities for efficient competence development. This research project’s basic argument is that competence development is fundamentally connected to the transfer of technology and knowledge.
in such a way that they cannot be separated. Furthermore, the so-called transfer process is, in itself, an innovation.

The corporation’s competence is the outcome of adaptations to the requirement, needs, and expectations of specific parts of the environment, and the possibility to transfer technology and knowledge, which is greatly influenced by how the adaptation process has evolved.

5.3 Developing Competence in Subsidiary

The strategy of BBH Ukraine is clearly oriented to the inner market, while BBH Russia, taking into account the huge territory of maintains, is oriented to making profits on the Ukrainian market, as well as its own. There is no need to look for evidence, as the Ukrainian market has become overloaded with BBH Russian’s products, while it is hard to find BBH Ukraine’s beverages even in the Russian capital.

On the Ukrainian food market, it can be seen that the main goal of Russian BBH’s subsidiary has been fulfilled, as it supports the company’s prosperity by earning more money. However, the situation is different if one looks at the opposite flow. BBH’s products that are produced in Ukraine would be hard to find on the Russian food market, which is in need of more goods to satisfy the market.

Taking into account that Finland has often been represented as a gate-way to the Eastern – European market in Scandinavia and given their previous experience in BBH, the locating of one of the corporate offices there is not by chance. There geographical closeness to St. Petersburg office play sufficient and advance role in giving priorities to business prosperity specially might be considered in due to historical and political issuers to Russia. Besides, Republic of Finland was among the top five countries, which were supported by the Communist Party in the past (Bunich, 1994). The stereotype of an eastern totalitarian neighbour still exists and Russia is seen as a huge market. It may take an age to change this mentality. However, for business approaches it would be useful to recognise the Ukrainian market as a
separate one, such as the markets of the Baltic countries. Consequently, it seems that
the corporation cultivates a common base of profits and in the same way simple to
manage with some subsidiary. The political changes in any one of those countries will
affect the others and the common base approach.

Training the managerial staff of an eastern neighbour does not always mean that this
strengthens the competitive base in Ukraine. The subsidiaries do belong to one
corporation. However, they are situated in two different countries with a different
nation’s psychology and different approaches to doing business.

Corporate and subsidiary efforts at developing competence at the subsidiary level
demands specific mechanisms for absorbing local knowledge into the subsidiary. In
other words, the fact that a subsidiary is located in a competitive business
environment does not necessarily or automatically lead to the subsidiary learning
cutting-edge knowledge and technology from that environment. At the interface of the
MNC and the local environment of the subsidiary are the relationships that the
subsidiary has with local business counterparts. Empirical evidence shows that the
development behaviour of a subsidiary is largely dependent on local companies, local
customers, suppliers and competitors.

It is also been concluded that the desire to obtain more tacit knowledge increases
whilst the desire to obtain more explicit knowledge decreases with increasing levels
of economic development. In other words, in a developing economy, people are
thirstier for explicit or hard knowledge, such as a specific technology to manufacture
a product that enables people to survive than for tacit or soft knowledge, such as
management know-how that enables an economy to have sustainable growth (Figure
10).

This study has identified that without knowledge transfer, technology transfer does
not take place, as knowledge is the key to controlling technology as a whole. Hence,
knowledge transfer is crucial for the process of technology transfer. This is why it is
crucial who is transferring knowledge and what kind of knowledge is being
transferred.
For BBH Corporation it is useful to bear in mind that the future of Ukraine is in Europe. Ukraine needs pro-European knowledge and education as never before.

5.3.1 Context of Subsidiary’s

Viewing the MNC BBH from a network perspective involves taking into account the various corporate units' relationships with other business actors, both internal corporate and external market relationships including Ukraine (four units), the Baltic Countries, Russia and Kazakhstan. According to this perspective, markets are perceived as consisting of business actors that are engaged in exchange relations, some of which evolve gradually into close, deep, and long-lasting business relationships. Firms with close relationships adopt and adjust their resources and routines to each other over time, thus, building mutual commitment and trust. In this
process, the counterparts increase their knowledge of each other, which often leads to mutual interests regarding future business development.

Obviously, these networks are invisible to the outsider and only the actors acting in within the network can be aware of the ties between them. In other words, these relationships contain a strong element of mutual knowledge. A large part of this knowledge is tacit (Polanyi, 1967) and, thus, is very difficult to transfer to others outside the network relationship (Kogut and Zander, 1993). Business relationships, thus, have the potential of becoming a major source of competence for local companies.

The local context of the subsidiary is often of primary importance for its operations as well as for the development of its competencies. Foreseeing and responding to the needs of local customers are the main orientation of competence development in the subsidiary. While interacting with the customer, the subsidiary learns about the specific problems and the business context of the other firm. An understanding of these problems and contexts creates for opportunities to find new solutions and create new competencies. Consequently, interaction with specific business counterparts is the key to learning in the network, which in turn is part of the wider business environment.

Strategic planning cannot be carried out without considering the effects of sales volume, the contribution margin, costs and profits. It is determined by organizational processes connected to such matters as planning, decision-making, organizational development and management.

5.3.2 The Learning Process

MNC BBH’s subsidiaries, who have international commitments themselves, that is, they have internationalized their own operations, are often involved in the learning process itself and not only in the primary (Baltic countries) market where they have their base, but also recently in the other selected markets in which they have done and are currently doing business (Ukraine, Russia and Kazakhstan). Therefore, the factors
affecting the competence development of the subsidiary must include not only the network in the subsidiary's home market, but also the network in the foreign market in which the subsidiary is involved.

Structuring the subsidiaries’ units of the corporation involves knowledge, product and capital flows between the subsidiaries’ units and the control systems, which coordinate these flows. The way that these corporate networks are structured depends partly on the strategies laid down at headquarters, and partly on the ways that different subsidiaries create relationships with each other. However, the subsidiaries L’vivs’ka Pyovarnya and Slavutych might also find it advantageous to cooperate with other corporate units (in the Baltic countries or Russia) beyond the official structure of the MNC. In any case, the units, both external and internal, with which the subsidiary interacts, belong to its network. Becoming a subsidiary unit within the MNC requires learning both the corporate and the external market network.

Such a dual character of the subsidiaries in the corporate and the external market network is essential in understanding the full corporate role of the subsidiary. If the subsidiary’s competence originates with the local context and its interactions in the local business network, there has to be a translation and adaptation of that contextual competence to the BBH’s corporate conditions. Without meaningful relationships with other units within the MNC BBH, this is not likely to take place. Foreign subsidiaries in Ukraine or in any other BBH subsidiary business market cannot operate as completely independent units in the long run if there is to be any advantage from the fact that they belong to a multinational corporation. However, it seems that the corporation following tasks try to tie together BBH Russian subsidiaries and Ukrainian too close. It should be clear for corporation that these are two different countries with different understanding and government policy and each of them strive for own profits.

Thus, both the external and internal involvement in learning is important. This corresponds to the different physical context and mental models, which can sometimes make knowledge transfer difficult between units. Who are actually transferring knowledge and the way in which this is done are both important.
The two types of knowledge, explicit and tacit, are complementary. It is personal knowledge that is deeply rooted in an individual’s experience and consciousness and is fashioned by his or her experiences, values and is fashioned by his or her experiences, values, and culture. It is knowledge of how to do something and this is often the driving force behind the learning of a skill. If explicit knowledge can be handled by each individual, then, concerning tacit knowledge, it is important, who will deliver this knowledge. And the outcome will be better if the right person delivers that knowledge.

Managing knowledge means managing people and managing success. Management needs to focus on understanding the dynamics and the psychology of personal knowledge. To make employees understand that the knowledge they possess is not just their own intellectual capital. Taking into account that the company invests in training, they should feel an obligation to share it with others in the organization, and not see it as personal and private. The idea that knowledge is power belongs to the past.

Managing knowledge is largely about people management and involves building structures that will make people enjoy sharing their knowledge. Knowledge is information in use, and it is the interaction of information with the human mind that gives it meaning and purpose. The availability of necessary knowledge and skills make a company highly competitive. Learning becomes a key factor in achieving its goal.

5.4 Summary of Subsidiary Development

The preceding discussion outlined different factors that influence competence development processes at the subsidiary level. It can well be conceived that the subsidiary's competence is a function of the general competitiveness of the business environment in which the subsidiary is located. The strength of customer demand and the sophistication of the business infrastructure force the subsidiary to upgrade and
innovate, to further develop its competencies. However, BBH’s subsidiary in Ukraine does not seem to have faced up to this task yet.

The corporation’s headquarters is involved in the development of specific subsidiaries, where opportunities are perceived in terms of getting as many markets as possible. Meanwhile, BBH’s subsidiaries in Ukraine follow the idea of integration in order to strengthen their place the market. Opportunities are often identified in markets that are highly competitive and, therefore, the subsidiaries located in those markets are likely to receive resources and support from the corporation to nurture competence development processes in the subsidiary.

The driver of competence development in the subsidiary is the organization's network involvement in learning. From this perspective, whether the subsidiary is located in a competitive environment or not is irrelevant if it cannot interact closely with actors in that environment. Moreover, establishing close relationships with firms and other business actors in the subsidiary's network increases the potential for the subsidiary to increase its existing competence and develop new competence.

The broad categories of subsidiary competence development described above may contribute to explaining how the foreign subsidiary develops its competence. The business environment may affect the subsidiary through the local business actors with whom the subsidiary interacts, and it is important to choose right partner. In the case of BBH in Ukraine local business relationships are the key driver of the subsidiary's competence development. When compared to other networks, it may observe large differences between the respective business environments and their levels of competitions, the sophistication of demand, and the complexity and development of infrastructure, etc. In addition, the competitiveness of the business environment can affect the individual subsidiary through a number of ways and not only through business relationships that are important to it. For instance, the overall intensity of competition may induce unhealthy forms of competition, which already exists between L’vivs’ka Pyovarnya and Slavutych, not to mention other external companies in the local market. The regulatory interventions by the government cause the subsidiary to modify its standard operating procedures and develop new competence as an approach to the new regulations. In this case, the subsidiary has to
deep in long-lasting relationship with any single actor that has caused its competence development. It is rather the sum of all the general forces operating in the business environment as well as the activities undertaken by the subsidiary.

The ability to transfer and use competence beyond its local context is the main determinant of an organization's competitive advantage. For the MNC, this means that if the corporation is not able to utilize the competencies dispersed across its global organization, it loses much of its competitive advantage.

In this research, the basic argument is that competence development is fundamentally connected to the transfer of competence in such a way, that they cannot be separated. Surprisingly, BBH Ukraine is still strives for the leading position in the market, while Russian and Baltic BBH were leaders in their respective markets from the beginning of entry of those markets. It seems that BBH Ukraine is rather experimental venture for the BBH Corporation in the sense that it is trying to make profits and obtain benefits with minimal investments.

The most advantageous way to transfer technology is to have staff willing tolerant it. Such as positive benefits can be obtained of moving R&D people together with technology; the motivation is increasing enthusiasm. Enthusiasm in technology and knowledge transfer process is important and is transferred. Ukrainians are very enthusiastic nation and has interest to visit foreign countries, to participate in educational meetings and programs.

5.5 Corporate Routines and Mutual Adaptation

Routines are the basic constituents of a corporation and its standard operating procedures. They can be characterized as the regular behavioral patterns of the organization’s members, and they can vary from simple routines concerning, for example, the selling of a certain product to complex routines determining the future direction of the company. Changes in any part of the subsidiaries' environment will result in the adaptation of these routines to the new conditions with the outcome of
changes in behaviour. This adaptation of behaviour results, essentially, in competence development, as competence involves in learning processes.

The corporation’s routines are not only a distinct form of competence, but are also the primary means for integrating competence in the subsidiary. They become the key element in the process of transferring and communicating competence among subsidiary units and members. Thus, corporate competence is the outcome of adaptations to the requirements, needs, and expectations of specific parts of the environment, as is the possibility for transferring competence, which is greatly influenced by the adaptation process involved. In particular, the question - to whom the firm has adapted its routines - plays a crucial role.

The transfer of competence has largely been discussed as a transaction where an object is relocated from the transferor to a recipient. As competence is situated behaviour, transfers are not only a question of the characteristics of the competence itself. In fact, successfully “transferring” competence is more a question of the characteristics of the developer (i.e. the one who transfers) and the users (i.e. the ones who receive). Consequently, what is really taking place in a transfer, are the conscious mutual adaptations of both the developer and the user. What is the degree of understanding depends how successful is the transfer process. Moreover, as these mutual adaptations will result in the two parties finding an improved behavioural pattern, the transfer process is really a development process. Hence, the distinction made between competence development and a transfer of competence is misplaced. On the contrary, a transfer of competence should be seen as a special case of developing competence.

5.6 Summary of Competence Transfer

The results suggest that technology-and-knowledge transfer and the development of technological competencies in the subsidiaries are conditioned by the development of general corporate competencies. In other words, to be able to absorb up to date knowledge from the environment and develop new technological competence, the subsidiary has first to develop the propensity and organizational context in order to
understand and utilize that knowledge. In a sense, this means that an organization must develop an absorptive capacity to assimilate knowledge from a competitive environment characterized by intense competition among companies, like Obolon’ JCS and Sun Interbrew JCS, and by the demands of customers. In current study, the absorptive capacity of the subsidiary is capability to organize its systems and its human resources in such a way that allows it to understand new developments and new knowledge in the environment.

The components of technology development and knowledge transfer follow:

- Recognition or perception of the match between technology and product knowledge and market need or niche;
- Capability to deliver successful products.

The contribution of study lies essentially in empirically clarifying the relationship between a competitive subsidiary environment and integration of subsidiary technological competence.

The competitive environments do seem to lead to higher technological competencies in the subsidiary units L’vivs’ka Pygovarnya and Slavutych, but only if the subsidiary integrate the competencies by first developing the corporate competencies and absorptive capacity ‘to digest the external knowledge” from BBH corporation. Only after that, it is possible to transfer the technological competence to other units within the MNC by cloning experience (i.e. to Kazakhstan or to Far East Russia).

The results suggest a way that BBH subsidiaries located in Ukraine absorb and develop competence from a competitive environment (imitating from other competitive companies) by incorporating an incremental learning perspective. Furthermore, the results argument the work in the sense that they propose a process of how the individual company can become competitive in an environment that strive for a leading position on the market.

Different arguments for developing and transferring competence can be rather empty without a comprehension of what is actually meant by the concept “competence”. Therefore, apart from the investigation of competence development processes and
their effects on competence integration, an attempt was made to clarify the meaning of the concept.

Considering the competence subsidiaries in Ukraine, L`vivs`ka Pyovarnya and Slavutych had developed their competencies primarily through adaptations to the local market. The extent of adaptations to other corporate units was positively related to transferring the competencies of the subsidiary to the MNC. In order to enable the corporate use of subsidiary competencies, the subsidiary has to be involved in learning process both in the external environment and in the corporation. This means that although the subsidiary's competence is based on its interactions with and adaptations to the local market, it must engage in adaptations to the corporate context in order the competencies be applicable to the other corporate units.

The corporation routines are adapted through interactions that take place between different business actors in the business network. The adaptation of corporation routines constitutes the competence development of the subsidiary. Thus, there is a link between perspective to the extent routine changes, adaptation, and developing through the business relationships of the subsidiary. This is closely related to the work of Leonard-Barton, who assumes that transfer of a technology system, i.e. competence, is a question of mutual adaptations on the part of both the developer and the user. In other words, transferring competence through adaptations is in fact one type of competence development.

The results of the empirical study show clearly that technology-transfer without corresponding knowledge-transfer cannot be efficient. The local economic environment is of crucial importance for the understanding of competition and industrial performance. There seems to be a strict link between performance of a firm and the conditions prevailing in its environment. Technological competition in markets turned out in this study to be the primary driver of a firm’s decision to enter a new market. Research show that technological competence developed in one subsidiary will lead to an integration of that competence with other corporate unit within the MNC under investigation. Under specific circumstances internal knowledge-transfer can be accomplished with simple procedures and at low cost.
6 CONCLUSION AND IMPLICATIONS

The findings of research about success of technology-and-knowledge transfer present knowledge in subsidiary units as specific characteristic for the success of interunit knowledge sharing in MNC BBH and is determined to an important extent by characteristics of the relationship between the involved units. Technologies are becoming more complex and there is high cost expenditure in technology creation and development. That is why the formation of cooperative efforts and alliances are considered as an opportunity to share the risks and rewards. Multinational Corporation has an advantage over local companies as its subsidiaries operate in different environments and face various business opportunities and threats. The competitiveness of the MNC BBH is more effective by capitalization and creation corporate units in chosen markets: Baltic States, Ukraine, Russia and Kazakhstan. It has been acknowledged that there seems to be a clear link between the performance of a firm and the conditions prevailing in its environment, as the technological competition in markets is “the primary driver of a firm's decision to enter new market”. Subsidiary technological competence will lead to integration of that competence with other corporate units within the MNC, like L’vivs’ka Pyovarnya and Slavutych.

However, a subsidiary unit, which has adapted corporate resources and routines, has developed competence that is important in its own operations. Thus, subsidiaries become competent through the adaptation of their resources and routines to local business actors. That is why, technology-and-knowledge transfer to other parts of the MNCs is not always “complex and difficult to undertake” (refer to Kogut and Zander, 1993). The study analyzed that knowledge transfer is crucial in the process of technology transfer. Besides, three central factors in the model of knowledge transfer are capabilities of the developer, need of the user and characteristics of the technology.
The learning from foreign markets becomes important, when it comes to competence level. That knowledge is the result of the interaction and competition of firms involved in similar or related activities, which are also called industrial clusters.

The industrial cluster is the result and a prerequisite for learning. It is emphasised that, competence development at the corporate level is crucial for the long-term survival of any business company. It is recognized that the multinational corporation has an advantage over local firms as its subsidiaries operate in different environments and face various business opportunities and threats, which increase the potential to develop a competitive advantage.

The industrial environments that create conditions of accumulation knowledge locally have a positive effect on the innovative activities of the companies. It can be claimed that technological competition in markets is the primary driver of a corporate decision to enter new market. Subsidiary technological competence will lead to integration of that competence with other corporate units within the MNC BBH, which is active in Baltic States, Ukraine, Kazakhstan and Russia.

Adaptation is to a large extent a question of knowledge about the environment. The only way to carry out organizational routines with the desired outcomes is to be knowledgeable about and adapt them to the changing conditions. The less the organization knows about the environment, the more difficult it becomes to carry out existing routines successfully. It is through the adaptations of routines that an organization develops competence. Changes in routines are a result of trial and error experimentation. This approach is result in an incremental process, in which routines are modified after approval not only by the organizational members, but also by market actors. Thus, competence development could be viewed as a path-dependent process.

Organizational routines influence the company development. Thus, two companies, which share the same history or the same environment, will differ in their behaviour, like L’vivs’ka Pyovarnya and Slavutych.
Due to differences in how firms interpret the environment, they will accumulate heterogeneous resources (Barney, 1991) and develop heterogeneous routines. How well the organization can adapt its routines to the conditions of the recipient unit and its resources depends on the relevance of corporate competence. Through use of knowledge, a shared history of jointly performed activities and common understanding of behaviour is formed future coming interactions.

On the other hand, a subsidiary that has adapted its resources and routines to the demands of the local market environment has developed competence that is important in its own operations. According to the evolutionary theory, companies develop new competence through operating in the local environment and adapting its organization to that context. Consequently, subsidiaries become competent through the adaptation of their resources and routines to local business actors.

As individuals come to understand and accept the values and expected behaviour they acquire the competencies required for the task. At the same time, the organization itself engages in confirming and maintaining the competence that the organization possesses (Cook and Yanow, 1993). As an organization within the MNC becomes acquainted with the routines and values of a competent subsidiary, it gains insight into competencies of that subsidiary and learns from it.

Therefore, this study would be of importance for these foreign companies, which already exist on Ukrainian market, and also for those, who are going to enter this market in order for them to be aware of the differences they might face and help them understand what can be done about them. In practice, it would also be easier to prepare expatriates who will be sent there in the future. Good preparation can make a significant difference for the expatriates adjustment and therefore also their performance at work.
6.1 Managerial Implications and Concluding Remarks

There are several practical implications for managers of both the MNC BBH and the foreign-owned subsidiary in Ukraine in empirical findings and concluding remarks of the research. Those implications concern locations of the foreign subsidiaries, managing the headquarters-subsidiary relationship, and creating the corporate context and structure.

Actually, the corporate headquarters office is located in several shareholder countries of the BBH assignment board. Thus, the home country of the MNC BBH, Denmark, UK and Sweden (which party is located in Finland for companies historical reason), where main offices are situated, is not the main market of its core business. This applies to current case, especially to MNC, which comes from small domestic markets.

As markets are dynamic, the home country market may decrease in importance, considering that many innovations and new customer groups arise in various parts of the world making these the important markets. Therefore, it is essential that the MNC BBH locate subsidiaries in markets, where the creativeness and the ability to innovate as well as the level of competitiveness are high considering Ukrainian one. Subsidiaries in this type of markets are likely to develop competencies that can be used widely in the corporation.

The corporate headquarters must begin mechanisms that ensure development of capabilities in subsidiaries and transferred to other corporate units, which might be situated not necessarily in Ukraine, Kazakhstan or in Baltic countries. Such mechanisms have proven their ability to develop distinct competence, or that show potential for it to pursue local opportunities. Without the autonomy, subsidiaries do not have the latitude to do else than fulfil the administrative tasks assigned by the headquarters. On the other hand, giving too much autonomy to the subsidiary is detrimental for both the MNC and the subsidiary. The ability of the MNC to control and coordinate the subsidiary is limited.
However, the subsidiary will run the risk of drifting too far from the strategy of the corporation and thus becoming an uninteresting, unrelated, and risky unit. It would seem reasonable for the headquarters to interfere in some operations by implementing behaviour-based control systems, which develop and diffuse competencies in subsidiaries.

One of the important parts of the MNC BBH headquarters-subsidiary relationship is the parent company's support for the subsidiaries, located in Ukraine, competence development. Research discusses the useful and outcome of such a support and the necessary to review the mechanism of knowledge delivery through BBH Russian office located in St. Petersburg. Although the MNC would grant the subsidiary substantial autonomy, it does not rule out possibility of the parent to support opportunities for competence development in some specific function of the subsidiary. The corporate management may to some extent steer the competence development processes in the MNC BBH by supporting those projects that are within its strategic direction.

The MNC BBH must build interrelations and cooperation between the different subsidiaries into its organizational structure by incorporating cross-functional teams that comprises of members from different countries and subsidiaries and not limited heavily on one particular, or by implementing new product or process development programs that require the acceptance of several different subsidiaries before they are launched. Promoting cooperation and interdependence can be seen as informal control mechanisms. In the modern MNC the emphasis is given more to the informal rather than formal mechanisms.

The implication of the current research of the subsidiary management deals primarily with the subsidiary-headquarters relationship (situated in Helsinki, Stockholm, St. Petersburg or Kyiv). As highly competent subsidiaries have developed their competencies mainly through their local market environment, subsidiaries need to recognize the prerequisite for an improved position in the MNC. By developing distinctive competencies through local interactions (in L’viv for L’vivs’ka Pyvovarnya and Zaporizzja for Slavutych), the subsidiary is able to negotiate further
autonomy and corporate investments. However, BBH Ukraine strives for leading position on Ukrainian market and it will lead to acquisition of subsidiary units there.

There is also a lesson for the subsidiary when it comes to developing competencies. If competencies reside in organizational routines, or routine-like behaviour, then changes to these routines are the most important impulses including competence development. This turns the focus to relationships to customers, suppliers, competitors, and other counterparts with which the subsidiary is engaged in business. For instance, a customer demanding a special feature in a product or service that has not been customary in the firm's production process forces the firm to adapt its ways of delivering its product. It gives the change to enhance the subsidiary ability to deliver superior products to its customers. Besides, new competence is developed. Understanding the strategic importance of these demands that those customers, suppliers, and other actors place on the subsidiaries is essential for the ability to develop competencies. View within MNC BBH studies that practices like short-term visits, participation in joint training programs and meetings, and membership in cross-unit teams, task forces and committees are the key determinants of normative integration.

BBH gives access to the information units needed to perform their job. Comprehensive approach of idea to knowledge is reliable, accurate, complete and easily available and has proper balance between traditional training and information, where each complements the other. However, in practice it is turning sometimes to not desirable streams. It has to provide ability to deliver the right information and learning to the right people, at the right time. Important is the culture of open access to information and learning that encourages sharing knowledge rather than holding it. And on this point there should be done a lot of work in order to improve the situation and subsidiary competence.

While the power of knowledge has always been as important businesses and public bodies, today make use of knowledge in a very different manner. The emphasis is shifting from secrecy to sharing. Where once knowledge was scarce, and hoarded as a source of power and influence, today the power of knowledge is in its communication and in its use as a positive, creative force. The problem today is not how to find
information, but how to manage it. The challenge for organizations is how to process knowledge, to transfer what is important and use the best of it creatively. If the organization does not or cannot learn from its own store of knowledge it stands little chance of survival. Making the best use of its own knowledge makes an organizational successful. This is what is important for MNC BBH today.

6.2 Generalization of the Research Results and its Limitations

There is need to consider the possible shortcoming of this research, as well as suggest ways to go further in the investigations, using quantitative or combination of quantitative- qualitative approaches. The data used in the research has its limitations as other case study. All the information used in the empirical analyses is gathered from single-respondents in the subsidiaries, i.e. the top manager of the foreign-owned subsidiaries. Consequently, technology-and-knowledge transfer, its competence, development and corporate use, is measured as perceived by the subsidiaries managers. Also this excludes the views of the headquarters and other representatives of corporate units, which give a broader picture of how subsidiary transfer process is perceived, processed, and managed in the MNC. The views of the subsidiary managers might be biased towards emphasizing their own unit's importance, and that subsidiary managers may not aware of all the aspects influencing their competence development. Taking to account given time and resources to this research, gathering more extend information from multiple respondents in other subsidiary units of corporation was not possible. The validity of using perceived measures should also be discussed. Thus, using managers' perceptions may provide a better base for evaluating the subsidiary's actions.

Learning within and as an organization is seen as a prerequisite to adapt to continuously changing conditions in the business environment and therefore, as a critical factor concerning the survival of today’s organizations. In a highly competitive global environment, the management of the knowledge and learning within organizations will be a key challenge for managers (Brown and Duguid, 2000; Cyert and March, 1992).
Another limitation deals with the attempts to arrive at predictions for how competence is developed and transferred. These issues would reflect in time stream. The limitations themselves have to deal with the philosophical arguments about the nature of scientific knowledge and scientific field of research.

However, in order to test and find further proof for the findings of this research, longitudinal investigations should be carried out to uncover the processes leading to competence development and competence integration. A suggestion for further research would consequently be to carry out longitudinal studies of how companies develop competence over time and what kind of processes affect the transfer.

A related phenomenon to the need for longitudinal studies is the need to empirically test propositions on the evaluation of subsidiary roles. In this research the focus is on the strategically important roles. In addition, these questions should be examined employing different types of research designs and methods to arrive at a broad understanding of the phenomenon of success in technology-and-knowledge transfer.

It has been recognized that success of technology-and-knowledge transfer consider the competitive position of the MNC rests largely on its ability to utilize, enhance, and integrate the knowledge and competence located in different part of the corporation (e.g. Bartlett and Ghoshal, 1989; Birkinshaw and Hood, 1998; Kogut and Zander, 1993). Current research discusses some of the premises and mechanisms for making this happen. However, it is also necessary to consider the costs possibilities of integrating competence. Therefore, future studies should focus on the costs of achieving integration of dispersed competencies, capabilities, and knowledge pursuing leading position on chosen market.

When identifying and analysing the costs and difficulties of enabling and executing transfers of competence, a central issue is the structure of the MNC. Although the findings of this research suggest that a structure of close relationships between organizational units is more conductive to successful competence transfers, the issue requires deeper investigation. Specifically, comparisons between different types of
structures, e.g. the effectiveness of competence integration would bring valuable insight into the central activities of the MNC. In addition, issues such as corporate socialization, communication systems, and corporate culture that can be expected to enhance the diffusion of competence in the MNC, should be investigated more thoroughly.

The structure of the MNC BBH is closely related to the control and coordination mechanisms used by the corporation. This research has touched some mechanisms that are not always positively related to technology-and-knowledge transfer, the role of the subsidiaries, the development and transfer of competence. However, these mechanisms are not analysed systematically in the present study. Moreover, only some mechanisms are dealt with while others have been excluded. It would, therefore, be advantageous to study the full scope of MNC control and coordination mechanisms by concentrating on their impact on the subsidiaries' learning capabilities through technology-and-knowledge transfer processes. In addition, given that the subsidiaries have different learning capabilities, there is a need to investigate whether control and coordination mechanisms acknowledge this.

Another limitation of the research is subsidiary location, which give the extent to which study results can be generalized and might be questioned. Hence, to be able to claim the legitimacy of these results, same hypotheses should be tested on samples from other countries as well.

6.3 Needs and Suggestions for Further Business Research

It is necessary to broaden the viewpoint and reflect on the theoretical foundations of the technology-and-knowledge transfer and its competence development, which leads to units’ integration in the MNC BBH Ukraine. It is assumed that the subsidiaries develop competencies and engage in the corporate transfer of their competencies as they belong to the same entity. Although this study takes a clear subsidiary-level viewpoint on the issue, and there are no obvious reasons for why the subsidiary would transfer its competencies to other corporate units. Therefore, future work should certainly try to outline the motives for the subsidiary to transfer its competencies. This
should be placed in the wider framework of developing a theory of the MNC that acknowledges the subsidiary management's point of view.

To sum up, current research presents new findings about Eastern European market that are in line with the recent development in research on MNCs concerning the move towards a subsidiary-view. The role of technology and knowledge transfer and their competence for the subsidiary’s position within the corporation is discussed extensively, and based on the findings some implications is outlined. However, the results also leave many questions open. Therefore, to further the common body of knowledge, it is imperative that these questions are investigated more deeply (subchapter 6.2).

Case study always leads to further research questions. Future research in this area should try to triangulate qualitative and quantitative data. Qualitative methods such as case studies would provide insights into the integration of competence in an intra-organizational perspective. Another issue for future research would be to develop theoretical models to incorporate this study's interesting findings concerning the relevance of the subsidiaries' competencies. The question is - what makes some competencies more relevant than others given that the competencies have been developed in different contexts.

Another suggestion for further research could be examining language in a broad sense. Language can be examined from a large number of perspectives, and more research on such issues. The practical contribution would be more detailed understanding of what practitioners in MNC can do to promote knowledge sharing between units, and so on.

®

This is author subjective view about the case, and do not necessarily may reflect company opinion about subject.
P.S. Helsinki, May, 2005

Since, this research study was completed a lot of events took place in Ukraine &
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ESITELMÄN TIIVISTELMÄ

Tämä tutkielma selvittää kuinka onnistutaan osaamisen siirrossa ja parannetaan kilpailukykyä edistämällä tuotannon ja palvelujen tarjonnan systemaattisen kokemuksen siirtoa tultaessa uusille markkinoille. Tämän tutkielman sisältö on tarkasti rajattu monikansallisiin yhtiöihin. Se määrittää yrityksen verrattuna kokonaisuuteen kahdessa tai useammassa maassa, riippumatta yritysten yhtiömuodoista ja toimialoista, jotka toimivat johdonmukaisesti samaa päätöksenteko järjestelmän ja yleisen strategian mukaan, johdettuna joko yhdestä tai useammasta päätöksenteko paikasta, joihin yhtyi ovat liityneenä joko omistajuuden perusteella tai muulla tavoin, ja joissa yhdentymiseen ja työtoimintoihin ja erityisesti johdettuna kokemuksen ja resurseja ja vastuuta muiden kanssa.

Tutkimus keskittyy kokemusperäiseksi kysymykseen "Kuinka ja missä laajuudessa voi kokemuksen siirto vaikuttua yrityksen teknilliseen osaamiseen ja taloudelliseen kilpailukykyyn?" ja yrittää etsiä ne voimat ja tekijät, jotka vaikuttavat työntävyyteen osaamisen kehittymiseen, ne tekijät jotka vaikuttavat yhdentymiseen ja työntävyyteen osaamisen käyttöön. Sekä mikä voi lisätä MNC:n kilpailukykyä ja jatkuvaan toimintaympäristöön asemaan työntävyyksen markkina-alueella.

Tutkielma yrittää löytää uutta ymmärrystä toimintatapoihin ja kokemuksen ja teknologian siirron mahdollisiin hyötyihin tutkimalla Skandinavian monikansallisten yritysten työntävyyden erityistä kokemusta nopeasti kasvavilla Itä-Euroopan markkinoilla johtuen niiden erityisestä organisaatioteknosta rakenteesta, tunnistamalla rajoitukset ja esteet työntävyyteen kilpailukyvyn kehitykseelle merkittävän kokemuksen siirron menestyksellisesti sisäistämiseen ja johdettuna menestyksellisesti sijoittumisen ja markkinointineuvontan segmentille Ukrainassa. Se perustuu laadulliseen lähestymiseen.

Tulokset osoittavat, että teknologinen osaamisen kehitys yhdessä työntävyyksessä johtaa tämän osaamisen yhdentymiseen muissa yrityksen osissa MNC:n sisällä.
Tietyissä olosuhteissa kokemuksen siirto voidaan toteuttaa yksinkertaisilla menettelytavoilla alhaisin kustannuksin.

Havainto saa ajattelemaan että yrityksiä voi luonnehtia ryhmänä toisiaan täydentävinä toimintoina kuten R&D, hallinto, markkinointi, tuotantoja jakelu. Joskus teknologia saa uuden muodon joka siirrossa, imee itsensä paikalliset suunnittelut perinteet tai paikallisten markkinoiden mielitymykset ja saa lisää arvoa teknologian siirto prosessin aikana.


Päämäärä on keskittyä tukemaan yrityksen menestystä tehdä enemmän voittoa ja pysyvästi kasvattaa markkinaosuuttaan parantamalla tuotteiden laatua ja/tai muuttaa tytäryrityksen tuotantokustannuksia kopioiden käsittelytavoita.

*Avainsanat: teknologian siirto; osaamisen siirto; tytäryrityksen kilpailukyky; rajoitukset ja esteet; monikansallinen yhtiö; kilpailuetu*
LIST OF ABBREVIATION

BBH - Baltic Beverage Holding – Multinational Corporation, which is highly potential in Eastern European market and in “post-soviet states” market

MNC - Multinational Corporation – business operate under relation between parent company in one country and subsidiary operational units in other one

MCO - multicultural organization

SME - small and medium enterprises

UCN - Ukrainian Consulting Network

UMG - Ukrainian Marketing Group

FDI – Foreign Direct Investments
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Table 2. BBH Subsidiaries in Selected Markets

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<thead>
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<th>Market Position</th>
<th>Russia</th>
<th>Ukraine</th>
<th>Baltics</th>
<th>Kazakhstan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Share</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td></td>
<td>22%</td>
<td>43% EST</td>
<td>21%*</td>
</tr>
<tr>
<td>2.</td>
<td>33%</td>
<td></td>
<td>43% LIT</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td>45% LV</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Key brands**
- Baltika
- Yarpivo
- Nevskoye
- Arsenalnoye
- Kupecheskoye
- Uralsky master
- Slavutich
- Lvivske
- Baltika
- Arsenal
- Sakho Orignal
- Rock
- Aldaris
- Zelta Gold
- Sytyrus
- Utenos
- Irbis
- Derbes
- Baltika
- Alma-Ata

Table 3. BBH Group Structure

**BBH Group Structure**

*As of December 31, 2003*

<table>
<thead>
<tr>
<th>Carlsberg A/S</th>
<th>Orkla ASA</th>
</tr>
</thead>
<tbody>
<tr>
<td>60%</td>
<td>40%</td>
</tr>
</tbody>
</table>

**Scottish & Newcastle plc**
- 50% &
- Ab Hartwell Ab

**BBH AB**
- 50% &

**Baltics**
- Saku 75.0%
- Aldaris 75.0%
- SUA 75.4%
- Klaipeda
- Utena

**Russia**
- Baltika 74.4%
- St. Petersburg
- Tula
- Reostov-na-Don
- Samara
- Khabarovsk
- Yarivlo 60.0%
- Yaroslavl
- Voronezh 77.8%
- Zolotoy Ural 80.8%
- Prikra 70.3%
- Vena 49.9%

**Ukraine**
- Slavutich 91.7%
- Lvivska 99.6%
- Slovuta 90.3%

**Kazakhstan**
- Irbis 90%
- Al-Ner 90%
Table 4. BBH Subsidiary Marketshare in Ukraine

Table 5. BBH Market Trends - Beer

<table>
<thead>
<tr>
<th></th>
<th>Market size 2003</th>
<th>Market growth 2003, %</th>
<th>BBH Volume growth 2003, %</th>
<th>BBH Market share 2003, %</th>
<th>Per capita consumption, litres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>74</td>
<td>+6.5</td>
<td>+8.5</td>
<td>33</td>
<td>51</td>
</tr>
<tr>
<td>Ukraine</td>
<td>15</td>
<td>+8.3</td>
<td>+14.9*</td>
<td>22*</td>
<td>31</td>
</tr>
<tr>
<td>Balticas</td>
<td>5</td>
<td>+0.1</td>
<td>0</td>
<td>44</td>
<td>70</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>3</td>
<td>+14.4</td>
<td>+51.7**</td>
<td>14**</td>
<td>20</td>
</tr>
</tbody>
</table>

* Includes Baltic imports for 4th quarter 2002 and 2003
** Includes only Russian Baltic imports. Estimated total share of market 2% for BBH 2003 figures and fully comparable.
Table 6. BBH Volume Development

Table 7. Ukraine Market Overview
Table 8. BBH Profitable Growth in Ukraine

BBH is well placed for profitable growth in 2004

- Key markets continue to show robust growth
  - 6.5% market volume growth in 2003 (Russia)
  - Strong consumer income growth forecast
- Investments made to further strengthen business model
  - Baltika sales and distribution restructured
  - Completion of brewery network in Russia
    (Samara and Khabarovsk greenfields completed)
- Improved management capabilities
- Change programme a major factor behind lower margins in 2003
- Ukraine position strengthened
  - No.2 from No.3
  - Kiev brewery to open in spring
- Solid Kazakhstan position established
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<td>10</td>
<td>Relevance of explicit and tacit knowledge in economic development</td>
<td>98</td>
</tr>
</tbody>
</table>
Як „передача знань” впливає на технологічну компетентність та економічну конкурентність компанії?

Україна (2003): L’vivska Pyvovarnja; Slavutych; Head Office in Kyiv
Фінляндія (2004): BBH Head Office in Helsinki

А) Які фактори впливають на розвиток компетентності компаній-філій;
Б) Які фактори впливають на корпораційну інтеграцію з огляду використання компетентності компаній-філій;
В) переслідуючи лідерську позицію на українському ринку, як можна підвищити компетентність.

1 Дата. Місто. Компанія. Який попередній досвід роботи.
2 Респондент. Які функції виконуєте в організації. Обов’язки.
3 Беручи до уваги відповідь на групу запитань 2, формувалися різні напрямки наступних питань (низка угрupувань), які були б доступні для розуміння і в той самий час переслідували основну думку опитування (деякі були перекладені близько до оригіналу, а інші повністю перефразовані). Деякі з них подані нижче.
4 Місце у структурі компанії. Яким чином впливаєте на управління компанією (включаючи регіональний менеджерський склад).
5 Що допомагає компанії здобувати першість?
6. В інтерв’ю розглядалися питання про розпізнання конкурентності та її професійної компетентності, а також інші аспекти що відносяться до успішного росту компаній-філій

7 Яку частину становлять чинники такі як навики та знання у трансферних процесах (новаційні процеси)?

8 Яку роль відіграють знання? Потреба яких знань існує?***

9 Які зміни у виробничому процесі відбуваються/ відбулися за останній час?

10 Чи виникають труднощі? Які?

11 Що нового вдалося адаптувати/ змінити/ покращити на Вашому виконавчому місці та в методах роботи?

12 Які перешкоди існують/ присутні при передачі нових технологій і знань?

13 Що Вас особисто робить компетентним та конкурентноспроможним?

14 Чи може „передача знань” вплинути на компетентність та конкурентність компанії?
8 Потреба яких знань існує

Раніше

потреба елементарних умов праці (від безотоплюваного приміщення до індивідуального місця роботи), ефективна структура управління, управління технологією, перехід до активних продаж, знання законів, недостача ресурсів

Тепер

інформаційне забезпечення, програмне забезпечення, консалтинг, семінари-тренінги, систематизація дистрибуції, робота з клієнтом, новітність ідей, модернізація, навчання, обмін до-свідом, системи оплат, стратегії продаж, знання законів, підбір кадрів, якість, імідж, фактори компетентності, фінансування, реклама, приховане – робити дійсним, стратегія першості

Data was analyzed and studied, after categorizing it.
Appendix B. Expansion of BBH Family

Expansion of BBH family

- 2003: Baltika-Samara (Russia); Baltika-Khabarovsk (Russia); Ak-Nar (Kazakhstan)
- 2002: Vena (Russia); Voronezh (Russia); Ibis (Kazakhstan)
- 2001: Svyturys (Lithuania)
- 1999: Zolotoy Ural (Russia); Pikra (Russia)
- 1998: Lvivska Pivovarnia (Ukraine)
- 1997: Tula Brewing (Russia); Baltika-Don (Russia); Utenos Alus (Lithuania)
- 1996: Slavutich (Ukraine); Yarpovo (Russia)
- 1994: Kalnapils (Lithuania)
- 1993: Baltika (Russia)
- 1992: Aldaris (Latvia)
- 1991: BBH established; Saku (Estonia)

1) Said 2001

Appendix C. BBH markets and locations

Markets and locations 2003

- Baltics: 4 breweries
- Ukraine: 2 breweries
- Russia: 10 breweries
- Kazakhstan: 2 breweries
Appendix D. Parents companies

- BBH was established in 1991 by Finnish Oy Hartwall Ab and Procordia Beverages AB (Pripps)
- Today BBH is a 50:50 owned joint venture between Scottish & Newcastle plc and Carlsberg Breweries A/S
- Parent companies are among the 10 biggest brewers in the world

Appendix E. BBH performance in 2003

**BBH performance in 2003**

Sales momentum continued

- Total volumes 31.4 mhl +8%
- Market share – Russia 33.0% +0.4%pts
- Market share – Ukraine 21.7% +1.3%pts

Profits impacted by currency and increased costs*:

<table>
<thead>
<tr>
<th></th>
<th>MUSD 2003</th>
<th>MUSD 2002</th>
<th>Change %</th>
<th>MEUR 2003</th>
<th>MEUR 2002</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>1314</td>
<td>1163</td>
<td>+13</td>
<td>1161</td>
<td>1237</td>
<td>-6</td>
</tr>
<tr>
<td>EBITDA</td>
<td>400</td>
<td>385</td>
<td>+4</td>
<td>352</td>
<td>408</td>
<td>-14</td>
</tr>
<tr>
<td>EBITA</td>
<td>300</td>
<td>309</td>
<td>-3</td>
<td>264</td>
<td>328</td>
<td>-20</td>
</tr>
</tbody>
</table>

* These are the results as reported by BBH AB. Previously published numbers from Carlsberg A/S and Scottish & Newcastle plc alone non-material variances due to technical differences under Danish and UK GAAP.
Appendix F. BBH subsidiary in Ukraine

Lvivska brewery

- Established in 1715
- Acquired in 1999
- BBH ownership: 99 per cent
- Sales volume, total in 2003: 108 million liters
- Market share in 2003: 6 per cent
- Employees: 320
- General Director: Vladimir Pecher

Slavutich

- Established in 1974
- Acquired in 1996
- BBH ownership: 92 per cent
- Sales volume, total in 2003: 238 million liters, including soft drinks
- Market share in 2003: 14 per cent
- Employees: 880
- General Director: Peretyatko, Petro
- Website: www.slavutich.ua
<table>
<thead>
<tr>
<th></th>
<th>Q104</th>
<th>Market Volume Growth (%)</th>
<th>BBH Volume Growth (%)</th>
<th>Market Share (%)</th>
<th>Change y/y (%pts)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ukraine*</td>
<td>20.0</td>
<td>29.1%</td>
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<td>23.1</td>
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<tr>
<td>Baltics</td>
<td>3.6</td>
<td>-0.7%</td>
<td></td>
<td>41.8</td>
<td>-3.2</td>
</tr>
<tr>
<td>Kazakhstan*</td>
<td>60.6</td>
<td>93.8%</td>
<td></td>
<td>18.5</td>
<td>+3.2</td>
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</tbody>
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Appendix G. BBH other key markets