Knowledge Sharing in a Finnish MNC –
A Social Process Perspective

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**Abstract:** The purpose of this study is to explain the processes for knowledge transfer in a multinational company, with the help of a social perspective. The examination of a MNC with subsidiaries around the world provides a picture of how that company deals with the intra-organizational cultural diversity and knowledge transfer globally. The contribution of this study is a framework for analyzing the knowledge transfer process within a multinational corporation.

The research is carried through in the form of a qualitative case study of a Finnish multinational within the industrial goods and services sector. The structure of the data collection is special in the sense that the subsidiary interviews were conducted before the HQ interviews, facilitating a subsidiary view on the process. The research method is abductive because the process of knowledge transfer is explained through a new point of view.

Through a case study of two Portuguese subsidiaries of the Finnish MNC, and its headquarters, the process of knowledge transfer within and between the different units of the MNC was determined. The knowledge transfer process is dependent on the role of the subsidiary, the available transfer methods, and the different dimensions of knowledge. Through a consideration of the social context, including power, cognitive capacity, and national and organizational culture, the most significant influencing factors were identified. These turned out to be power, motivation, absorptive capacity, cultural differences and the organizational structure and culture. The social perspective provided insights on how knowledge transfer in a MNC is successfully managed and implemented with respect to the human aspect.

**Keywords:** Knowledge transfer, Knowledge dimensions, Parent-subsidiary relationship, Culture
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1 INTRODUCTION

Globalization is shaping the business today, and as soon as a company has met the demand in its own country the natural option for further growth is to expand internationally. As the term multinational indicates, the corporations expanding outside their national borders are faced with an involvement in several national contexts. These contexts differ regarding among other factors their location, economic development and culture. The opportunities are unlimited, but also the stakes of going abroad are remarkable; the costs involved are high and pressure for success likewise. A multinational corporation (MNC) has to acknowledge the wide variety of national contexts it is operating in through its subsidiaries, even though the norms for business on the global market are to a great extent shaped by uniform norms. To be able to compete internationally, the competitive advantage achieved in the home market has to be spread to all international subsidiaries. This requires a dissemination of organizational capabilities to each unit of the MNC, regardless of national culture and business environment.

The resource based view is a commonly accepted perspective (Gupta & Govindarajan 2000), and so is its assumption of knowledge as one of the most important sources for competitive advantage for a company (Argote & Ingram, 2000). Therefore, spreading organizational capabilities means effectively disseminating knowledge through the multinational corporation (MNC). The resource based view considers companies to be repositories of knowledge, capabilities and competence (Buckley & Carter 1999). It is the organizational knowledge, existing among individuals and teams, that when brought together serve as a base for the competitive capabilities. Organizational capabilities consist of utilized knowledge and know-how (Schotter & Bontis 2009). Efficient transfer of these critical capabilities is crucial for the multinational corporation to obtain a worldwide competitive advantage (Li & Hsieh 2009). This in turn requires the careful planning, implementation and management of knowledge transfer processes within the MNC. The success of a company’s internationalization process is dependent on its ability to transfer essential knowledge to the subsidiaries (Fang et al. 2010:27).

When it comes to the outcomes of knowledge management, the field can be divided into knowledge creation, retention and transfer (Argote, McEvily & Reagans 2003). Knowledge creation is mostly connected to innovation (Nonaka & Takeuchi 1997).
Knowledge retention means storing the obtained knowledge and embedding it in the organization (Argote, McEvily & Reagans 2003). Knowledge transfer enables the utilization of existing knowledge for the purposes of the organization (Kumar & Ganesh 2009). The processes of knowledge management can be considered as serving each of these outcomes, and all of the processes are highly dependent on each other. Even though the focus of this study will mainly be on the actual transfer of knowledge from the parent to the subsidiary, the other two parts are necessary if the transferred knowledge is to be actually implemented in the subsidiary, which will be seen when it comes to the actual knowledge transfer models.

1.1. Problem background

A globalization of business activities has turned out to be one of the most common management phenomena and areas of interests when talking about multinational corporations (Li & Hsieh 2009:425). It is stated that the MNC in fact exists because of its ability to transfer knowledge within the organization (Gupta & Govindarajan 2000). Expanding a business outside of its national borders all of the activities will be influenced by the new national context. This implies that the knowledge that is the source to the capabilities and competitive advantage in the home country might no longer exist in another context, without appropriate processes for developing and implementing that knowledge to the local context. The activities of a multinational corporation have to be adapted to the needs of the subsidiary, considering both the organization itself, and its environment. When the MNC in question has a global presence around the world, the problem becomes even broader, because the amount of nationalities involved is remarkable.

Finland is still today regarded to be a financially small market, where the growth opportunities are limited. As a result of this Finnish multinationals are very frequent on the marketplace. Several of these multinationals have subsidiaries both worldwide and especially in Europe, with operations already established and running. Portugal is an attractive market in Europe for Finnish companies considering the cost of labour and access to other continents, like for example Africa, and many Finnish companies have established subsidiaries in Portugal. The Portuguese culture is according to Hofstede’s dimensions very different when compared to the Finnish culture. The question is how the Finnish multinational has adapted their knowledge to
the local context, taking that culture into consideration. Following this argumentation, the research questions for the study can be formulated.

RQ1: What kind of processes does the organization have to transfer organizational knowledge to another national context?

RQ2: Which are the primary factors that affect the knowledge transfer process, and how do these impact the knowledge transfer process?

### 1.2. Purpose of the Study

The main purpose with this study is to explain the processes for knowledge transfer and implementation in subsidiaries of multinational corporations using a social perspective. The aim of this study is to develop the understanding for how the local HQ knowledge is implemented in the subsidiary, with respect to that context and culture. This aim will be reached through a case study of a Finnish MNC in the industrial goods and services sector, and its subsidiaries in Portugal. The focus of the research is placed on the subsidiary view on the phenomenon, where and also the role of the individual will be explored. The examination of a MNC with subsidiaries around the world will provide a picture of how that company deals with the intra-organizational cultural diversity and knowledge transfer globally.

Ultimately, the contribution of this study will be a framework for analyzing the knowledge transfer process within a multinational corporation. A tool will be developed that may as well be applied on any MNC, regardless of context.

### 1.3. Scope and Limitations

The scope of the study is to see how one Finnish MNC group transfers knowledge to the Portuguese context. Because it is an in-depth study the scope will only be two subsidiaries in Portugal of the same group, and their parent company, and the results are not applicable outside their context. The study will consider the transfer of organizational knowledge perceived as crucial for the success of the company, which is of importance for the competitive advantage. In addition to this, the study takes a subsidiary point of view, therefore being able to see what actually has occurred instead of the intentions of the headquarters.
The role of IT is important when talking about knowledge transfer in multinational corporations. IT is consequently commonly accepted as an effective tool of transferring knowledge, but this concerns only the explicit form of knowledge. Within this study, IT is regarded as a support for MNC knowledge transfer, but specific IT tools and systems will not be addressed. A lot of focus has also been placed on the use of expatriates as facilitators of knowledge transfer (Fang et al 2010). Even though this might be a common solution, it will not be further investigated here.

1.4. Key concepts

Knowledge is defined as the combination of internal structure, external structure and the employee competence of the organization, which together establish the strategic capabilities of an organization.

Knowledge transfer is when one unit is affected by the experience of another and becomes apparent through changes in the knowledge or performance of the receiving unit (Argote & Ingram 2000), in this case the transfer of organizational knowledge that is perceived to form the basis of the company’s success and competitive advantage. There are always at least two actions involved in the process, one when knowledge is provided and one when it is obtained (Wilkesman et al. 2009). Knowledge transfer and knowledge flow are two expressions of the same concept.

1.5. Structure

The structure of this study is quite contemporary to its nature, still maintaining all the traditional steps of a thesis, starting with this introduction to the topic. The introduction is then followed by a review of the previous research on the topic, with the most fundamental theories, and recent studies. This literature review ends in a definition of the gap in the current research, which also leads to the contribution of this study. To answer the research questions a social perspective is developed, facilitating a new interpretation of the knowledge transfer process in a MNC. The empirical part is based on a case study that will be analyzed with the help of the developed framework using an alternate templates strategy (Langley 1999). The case study is done of a Finnish multinational that has subsidiaries, or units, around the world. After the analysis, the study is concluded by a discussion and conclusion of the results as well as suggested directions for future research.
2 PREVIOUS RESEARCH

This chapter serves as an in-depth study of the wide field of previous research of knowledge transfer, which will lead to the research gap that I aim to fulfil. It is previously stated that the contents of the field is to a great extent differentiated (Argote et al 2003), and as a result of this I find it especially important to start my theoretical description on the general level. After a review of the concept of knowledge I will shift focus to the more specific question of knowledge transfer. I will begin with the most profound model of knowledge transfer within the field, namely the SECI model developed by Nonaka (1991). After that more recent authors and their research will be presented, connected to the knowledge transfer in a MNC, to provide a more up to date and detailed overview of the phenomenon.

2.1. Knowledge

Faced with a highly diversified field, spanning from the actual definition of knowledge to concepts, frameworks and knowledge management models, it is necessary to start at the very basis with a definition of knowledge, and the different units and dimensions connected to the concept.

Knowledge is situated, re-usable human awareness leading to effective action (Thompson, Jensen & DeTienne 2009).

This definition has several implications on the concept of knowledge, especially considering the focus on effective action. Knowledge that is of interest within MNC knowledge transfer in fact has to lead to effective action if it is to be transferred. Another important point is the involvement of humans, in this case primarily meaning the members of an organization. It is also possible, and beneficial, to use the same knowledge in new context, thereby transferring it to new locations. Another common definition of the nature of knowledge is that it is ambiguous and context-specific (Williams 2007). The ambiguity arises as a result of the knowledge being embedded in an organization, and the context specificity as a result of the integration of different components, like people, networks and information (Williams 2007). I would say that the most relevant characteristics of knowledge is that it is socially produced human awareness that is tied to a specific context.
2.1.1. The Dimensions of Knowledge

As already became apparent in the definition of knowledge, it is not a simple concept to manage. The complex nature of knowledge is also one of the reasons that it is of such great interest to research. The different dimensions of knowledge have to be taken into consideration because of their significance within the actual knowledge transfer process. Only this way proper knowledge transfer can be developed, taking each dimension of the complex concept into consideration when both planning and managing it.

One of the most important features of knowledge is that it is socially produced (Zaidman & Brock 2009). Because of this, the transfer of knowledge is dependent on the social and cultural contexts of the process. This social perspective on knowledge transfer serves as a basis for this study, and it is mainly this dimension of knowledge that will be studied. Some other characteristics of knowledge that have been shown to affect the knowledge transfer significantly are causal ambiguity, which will be discussed in a later chapter, and the tacitness of knowledge (Gupta & Govindarajan 2000). Organization knowledge is argued to be a source of competitive advantage precisely because of its characteristics of causal ambiguity, social complexity and context specificity (Ordóñez de Pablos 2004).

The characteristics of knowledge can also be defined depending on what is the source of knowledge. Foss and Pedersen (2002) present three sources of knowledge that determine the transferability of that knowledge; internal development, network relations to external partners and local clusters. The sources of knowledge determine the characteristics of the knowledge and depending on these different mechanisms to facilitate transfer are needed. The internally developed knowledge is proved to be the most important source of knowledge within an organization, but also costly to transfer because it is so integrated in the organization (Foss and Pedersen 2002). It is embedded in the organization and may not be directly transferable to another context. The knowledge from external networks originates from the relationships to customers and suppliers and is thus very context specific (Foss and Pedersen 2002). Because the subsidiaries of a MNC operate in similar business, this kind of knowledge is usually relevant to the rest of the MNC. Knowledge that is derived from local clusters comes from the involvement with research and other local institutions, as well as from a well educated workforce (Foss and Pedersen 2002). Cluster-based knowledge is mostly
involved with knowledge creation in the subsidiary, but this new knowledge might not be related to the rest of the MNC.

Thompson et al. (2009) present six characteristics of knowledge that has to be present if knowledge is to be transferred effectively. These are: accessibility, understandability, relevance, desirability, usability and repeatability. These characteristics ensure that the knowledge can be effectively transferred to other units within a MNC. One could make the assumption that strategically important knowledge in most cases represents all of these characteristic abilities.

2.1.1. Knowledge stickiness

Knowledge stickiness is a feature of knowledge that has been discussed as a possible impediment to knowledge transfer by several authors (Li & Hsieh 2009, Szulanski 2000). Knowledge stickiness is defined as a reason for knowledge transfer failures as well as the difficulties arising from the knowledge transfer process (Li & Hsieh 2009, Szulanski 2000). Knowledge stickiness is particularly interesting when discussing the importance of an efficient and straightforward knowledge transfer process, because of the relationship between high levels of stickiness and higher knowledge transfer costs (Li & Hsieh 2009). Apart from this, higher levels of stickiness also affect the innovative activities in the subsidiary negatively (Li & Hsieh 2009). Knowledge transfer is very much connected to innovation, which is a result of the transfer of knowledge as well as the use of existing knowledge (Li & Hsieh 2009). Because of this, some actions that are proven to decrease knowledge stickiness are presented in the knowledge transfer chapter.

Knowledge stickiness is argued to have an impact on the knowledge transfer process on four phases of the knowledge transfer process (Szulanski 2000). Initiation stickiness involves the difficulties of recognizing opportunities to transfer knowledge. Implementation stickiness occurs in the actual exchange of resources between the sender and the receiving unit. Ramp-up stickiness is connected to unexpected problems, and the identification and solution of these. The final phase of integration stickiness is concerned with the challenges in routinization of new practices, dealing with these and removing obstacles in the process.
2.1.1.2. Tacit Knowledge

Tacit knowledge is knowledge that is hard to articulate and describe, it is to a large extent connected to know-how and personal experience. Tacit knowledge is embedded in feelings, experiences and situations, and therefore difficult to share through communication (Nonaka & Takeuchi 1995:63). As a result of its complexity tacit knowledge is very much related to the issues of knowledge transfer. It is proven to be the kind of knowledge that is most difficult and costly to share among members of an organization. At the same time, tacit knowledge is an important source for organizational capabilities and competitive advantage, which further increases the significance for it as part of the knowledge transfer process. Tacit knowledge is the primary source for knowledge transfer because it is harder to transfer externally, which means that it is more protected from imitation (Bou-Llusar & Segarra-Ciprés 2006). The tacitness of knowledge is to a great extent an implication of the fact that knowledge is socially produced.

2.1.1.3. Explicit Knowledge

Explicit knowledge on the other hand is more codified to its nature, and it is often documented and public. The most significant difference between tacit and explicit knowledge is that explicit knowledge can be captured and transferred through information technology (IT) (Ajmal & Koskinen 2008). IT makes the transfer of explicit knowledge effective and fast, even in a geographically diffused organization like a MNC. At this point of time IT is a well known tool that is well implemented and supports all the other functions of a company. Most companies have specific departments handling all the IT tools and systems, constantly developing them according to the prevailing needs.

Explicit knowledge plays an important role in the knowledge transfer process, as will be seen in the chapter for the SECI-model. It is however debated whether it is strategically beneficial to convert tacit knowledge to explicit knowledge, because of the risk for imitation from competitors (Bou-Llusar & Segarra-Ciprés 2006). This risk is not going to be regarded as decisive for the use of externalization, because knowledge is argued to be more easily transferred through internal organizational processes than by external mechanisms, which are influenced by market imperfections (Polanyi 1966 in Ordóñez de Pablos 2004).
2.2. **Knowledge transfer**

To cope with the widely differentiated field of knowledge management and in an effort to map the existing theory Argote et al (2003) classify the field of knowledge according to the outcomes and contextual properties of knowledge management. The outcomes of knowledge creation, retention and transfer are important because they determine the required activities, but simultaneously they are all connected and one cannot be regarded in absence of the others. Regarding the contextual properties knowledge management can be analyzed considering the unit, the relationships between units, or from the perspective of the knowledge itself. The relationship between the units within the scope of this study is shaped by the multinational corporation, where the obvious relationship is the one between headquarters and subsidiary. Also other parts can be distinguished, but it is more the interaction of these units than the sort of relationship that is of importance for the knowledge transfer between units.

Knowledge transfer in organizations can be defined as the process through which the experience of one unit influences another unit, which leads to a change in the performance of the receiving unit (Argote & Ingram 2000). The knowledge transfer processes take place on three different levels, the individual level, the intra-organizational level, and the inter-organizational level (Fang et al. 2010). The individual is involved at all of these levels, which further highlights the role of each of the organization members in the knowledge transfer process.

### 2.2.1. **The SECI-model**

The fundamentals for the SECI-model lies in the distinction between tacit and explicit knowledge, which forms the basis for all types of knowledge transfer (Nonaka, 1991). It is the interaction between tacit and explicit knowledge that creates knowledge and innovations within a company. The interaction between these two dimensions of knowledge forms a dynamic model of knowledge conversion, divided into four distinct phases, presented in Figure 1 - The SECI knowledge conversion model (Nonaka & Takeuchi 1995). These four phases are fundamental to knowledge transfer within an organization, and are presented in this study as a conceptual basis for the knowledge transfer process. Without understanding the four different stages, socialization, externalization, combination and externalization, and the relationship between tacit and explicit knowledge it is impossible to discuss the topic of knowledge transfer and the influencing factors. These phases form the knowledge conversion process in an
organization and are also conceptualized as the knowledge spiral (Nonaka & Takuechi 1995)

![SECI knowledge conversion model](image)

**Figure 1 - The SECI knowledge conversion model (Nonaka & Takeuchi 1995)**

### 2.2.1.1. Socialization

Socialization is the process of transferring tacit knowledge between individuals (Nonaka & Takeuchi 1995). Tacit knowledge is shared through imitation and observation between the members of an organization, whereby new tacit knowledge is created (Nonaka & Takeuchi 1995). Socialization requires little communication, but more interaction and actual involvement in the experiences of another person. Socialization is very time consuming because of it being dependent on direct contact between the sender and receiver of knowledge (Nonaka & Takeuchi 1995). Socialization is mainly a tool for transferring knowledge between two or a couple of members of an organization, and a well-known method is the use of mentoring. Socialization is however not an appropriate tool for the ultimate goal of organizational knowledge transfer, because of the effort and time it requires. It is however the initial step towards knowledge transfer, because through socialization tacit knowledge is shared by more and more members of the organization. But, if knowledge is to be transferred effectively within a MNC, a conversion to explicit knowledge is more appropriate.
2.2.1.2. **Externalization**

The conversion of tacit knowledge to explicit knowledge is the most crucial, but also problematic, phase of knowledge transfer within organizations (Nonaka & Takeuchi 1995). Externalization implies an articulation of tacit knowledge with the help of metaphors, analogies, models and concepts, and is the phase where one member’s personal knowledge really becomes useful for the organization (Nonaka & Takeuchi 1995). Even though it is explicit knowledge that is created in this phase, it is still a social process that requires interaction between individuals, because it is a creative process connected to problem solution and brainstorming in a group (Nonaka & Takeuchi 1995). In this interactive process each of the members uses their own tacit knowledge to come up with new explicit knowledge. Hereby explicit knowledge is created, which contributes to the organizational knowledge base. Also externalization is a time consuming process, and it has to be well implemented to be beneficial for the knowledge transfer process. As noted before, externalization is a requirement for effective knowledge transfer within an organization.

2.2.1.3. **Combination**

Combination is the next sequence of the process and signifies the combination of different kinds of explicit knowledge into a knowledge network (Nonaka & Takeuchi 1995:67). This is the conversion of explicit knowledge into new explicit knowledge. This is a common form of knowledge transfer that is frequently used in the form of meetings and discussions with the aim of problem solving and innovation (Nonaka & Takeuchi 1995). The ultimate goal of this phase is the creation of knowledge networks, which would capture all of the knowledge of an organization. A well known and established form of combination is the use of Communities of Practice (COP) (Nonaka & Takeuchi 1995). A COP can be defined as a group of professionals, interacting and communicating on a continuous basis, all devoted to sharing knowledge from each area of expertise (Murphy 2003:34). The knowledge stays up to date when the members meet regularly to cover current topics. This kind of networks form a very effective way of transferring knowledge within an organization, but one has to bear in mind that the knowledge first has to be converted from tacit to explicit. In an exceptionally well working COP the whole Knowledge Spiral with all its four phases is accomplished. Otherwise the conversion from explicit to explicit knowledge is secured by the well developed IT-systems of today’s organizations. These tools support the knowledge networks in their existence and ultimate goals. All in all, despite its limitation to only
explicit knowledge, combination is an essential part of the knowledge transfer process within multinationals.

2.2.1.4. Internalization

The phase that concludes the spiral of knowledge and completes the process is the conversion from explicit to tacit knowledge. It is in the phase of internalization that the knowledge is finally rooted in the receiving unit as tacit knowledge (Nonaka & Takeuchi 1995:69). This is when the knowledge becomes a valuable source for the organization. As expressed by Thompson, Jensen and DeTienne (2009), embedded information ultimately evolves into knowing only when it is personally and socially engaged to. It is not possible to make an organization internalize knowledge just by making it available, it requires learning from the receiving part (Thompson, Jensen & DeTienne 2009). This is the actual process of internalization, which can be applied on an organizational level, considering the situation when a subsidiary receives codified and combined knowledge from another part of a MNC.

The conversion of explicit knowledge to tacit knowledge is also when the process starts all over again, because this tacit knowledge has to be shared and socialized with other members of the organization. The process is never complete even though the knowledge is internalized in the receiving unit, it just starts again form the socialization of the internalized knowledge.

If the knowledge transfer and creation within an organization is to be a complete and working process, all of these four phases have to be supported and managed continuously. The process has to be supported by formal knowledge management to create a continuous cycle (Nonaka in Choo & Bontis 2002). The knowledge transfer starts at the individual level and moves upwards continuously wider and faster, until it is reborn on another level and ultimately reaches the organizational level (Nonaka in Choo & Bontis 2002). Even though knowledge is transferred within each of the phases of the spiral, the ultimate knowledge dissemination is achieved only by well developed and managed processes of socialization, externalization, combination and internalization. This process is the foundation for organizational knowledge transfer, whether it is on an intra or inter-organizational level.
2.2.2. Replication and adaption

Williams (2007) has developed a more applied model for knowledge transfer, based on the assumption that knowledge is both ambiguous and context specific. This model includes several types of transfer methods, and is more concerned with the actual knowledge transfer from one organization to another, and the level of adaption that different types of knowledge require. This dual nature of knowledge implies that the transfer of knowledge involves different elements that require different types of methods, and these would be adaption and replication (Williams 2007). The two methods together form the knowledge transfer process within an organization, because they should be combined according to the nature of the activities, and used simultaneously.

Replication signifies the copying of a set of practices exactly into a new context, whereby all the essential parts are ensured to be transferred to the new setting (Williams 2007). Replication is often used when transferring common programs of a MNC to new units. This means that the practices of the receiving organization have to be changed to match the practices of the sender. Replication is the process of transferring knowledge in the face of ambiguity (Williams 2007). The knowledge has to be discrete, which means that it is self developed, and has fewer connections to external actors (Williams 2007. The process of replication does not require an understanding for the underlying phenomena, and is therefore suitable for transferring activities unrelated to the environment.

Because knowledge tends to be context specific, the transfer of this kind of knowledge requires an adaption to the new setting (Williams 2007). Many organizations ignore the need for adaption when transferring knowledge to new units and contexts, which leads to the knowledge outcomes not being the expected ones. Adaption requires an understanding of the knowledge from the receiving unit (Williams 2007). Adaption is seen to increase the effectiveness of the transferred knowledge in the new context, because of the adaption to that environment (Williams 2007). The most important implication of this model is that companies need to make a distinction between ambiguous knowledge and knowledge that is embedded in the organization and its context and external relationships (Williams 2007). Not all knowledge requires adaption to the local environment, but the type that does, will not become efficient until it is appropriately adapted. It is not only the tacitness of knowledge that determines the knowledge transfer process, but these other characteristics as well.
2.3. Knowledge Transfer in the MNC

Organizational knowledge is created through the development of individual knowledge, which is a process where knowledge sharing is a central part (Rivera-Vazquez 2009). Considering the context of knowledge transfer in a MNC, where the units involved are in fact organizations, the complexity of the phenomena emerges. If knowledge is to be shared within a MNC, knowledge transfer between whole distinct units is essential. A MNC cannot assume that the knowledge existing at parent level could be effectively implemented in its subsidiaries, irrespective of time and place (Fang et al. 2010). The organizational knowledge has to be transferred to subsidiaries with respect to each local context. This knowledge transfer has to include the individual, group and organizational levels of all the organizations involved. This is the bridge between general knowledge transfer within one organization and knowledge transfer within a MNC. It is necessary to develop a strategy for knowledge that is centrally managed within the MNC. This leads to the creation, transfer and application of strategic knowledge, and provides the MNC with an international availability of that knowledge (Ordóñez de Pablos 2006).

It is as said, very important to see the interaction between individual knowledge and organizational knowledge, also within the MNC. The knowledge network of a MNC is ultimately created from the tacit knowledge possessed by each of its members, externalized and combined into a comprehensive network. It has been argued that too much effort is placed on the tools and tasks developed for knowledge transfer within an organization (Burgess 2005), when the most important factor is in fact the human aspect, considering the importance of tacit knowledge. Tasks and tools are of course necessary for the management and implementation of knowledge transfer in a geographically dispersed company. Today, most companies have the support of highly sophisticated IT systems that function eminently as knowledge transfer tools between members of a MNC that work on different continents. However, the outcomes and success of the knowledge transfer process within a MNC is more dependent on the social aspect (Burgess 2005). This is because a significant part of the organizational knowledge is embedded in the individual members of that organization.

The importance of the individual knowledge is highlighted when considering which capabilities are source of the competitive advantage a MNC possesses or aims at. The competitive advantage derives from such capabilities that are difficult to imitate by its competitors. These kinds of capabilities arise to a great extent from tacit knowledge,
and are created by knowledge transfer between individual members of an organization (Burgess 2005). Additionally, regarding knowledge as socially created, means that knowledge is to a large extent shared through interpersonal social relationships (Ajmal & Koskinen 2008). As a result of this, management actions should be directed towards developing an organizational design that supports and increases such interpersonal interaction. Considering this aspect of knowledge transfer, one mechanism that should be incorporated in the daily operations is informal communication. Informal communication facilitates sense making, discussion and even argument, which all are fundamental parts of the knowledge transfer process within an organization (Ajmal & Koskinen 2008). When these are facilitated on an intra-organizational level, knowledge transfer can move to the subsequent level.

The knowledge transfer between subsidiaries and the parent of a MNC signifies knowledge transfer in various directions of this network. The knowledge transfer process between the headquarter and a subsidiary it not always effective, and it does not always occur in the both ways (Hutchins & Michailova 2004), even this is one of the most important advantages of knowledge transfer within the MNC. The one-way transfer from parent company to subsidiary is a traditional view that rests on the belief that it is the parent that withholds and provides the managerial and technical know-how (Hutchings & Michailova 2000). Companies should shift away from this view since it is not an effective way of sharing knowledge and achieving competitive advantage. The two-way transfer optimizes learning for all the parts involved, including international managers and subsidiary employees because it ensures that the parts can benefit from the experience of each other (Hutching & Michailova 2000). This way the MNC can ensure that all of the knowledge within the organization, starting from the individuals of each unit, is available and transferable to each location where it might be needed, which is a prerequisite for effective knowledge transfer within a MNC.

Knowledge transfer within a MNC is shaped by the different external contexts, and adjustments have to be made to the environment of the subsidiary (Li & Hsieh 2009)(Williams 2007). This has implication for the culture as a context of the knowledge transfer process, which is an aspect that will be further discussed later on. Therefore, actions have to be taken within the subsidiary to assure that the transferred knowledge is actually implemented in the subsidiary. Following the argumentation of the SECI model, knowledge transfer involves the internalization of knowledge, which is dependent on approving behaviours and attitudes of subsidiary employees (Li& Hsieh
The internalization of knowledge is required for the implementation of knowledge, because it is a firmer adoption of the knowledge (Li & Hsieh 2009).

2.3.1. Knowledge transfer methods

Taking a short overview of the actual processes occurring in a MNC when knowledge is transferred both within the organizations and between them, three distinct methods can be distinguished, depicted in Figure 2 - The knowledge transfer methods. These methods are part of the SECI model as well as the processes of adaption and replication, and are practical tools that enable the transfer of knowledge between units and together form the foundation for MNC knowledge transfer.

First of all, personal communication is the most essential tool of knowledge transfer between units (Buckley & Carter 1999). Every process of knowledge transfer is dependent on some sort of communication between individuals. This personal communication can take the form of direct talking, meetings involving several individuals, and also E-mails and other IT tools. Personal communication is especially important when considering the social aspect of knowledge. Another method of knowledge transfer is by the means of codified communication (Buckley & Carter 1999). Codified communication is present in the knowledge conversion process of externalization (Nonaka 1991). Codified communication can take place as reports and drawings (Buckley & Carter 1999). The most developed method of knowledge transfer occurs as embodied transfer, and this is when the knowledge is transferred in the form of complete products or equipment. Embodied transfer is the most applied form of communication, and also most inflexible to changes and adaption. Therefore the two preceding methods are needed as support for this final type of knowledge transfer.

![Figure 2 - The knowledge transfer methods](image)

These three distinct knowledge transfer methods highlight the importance of adequate knowledge transfer processes within the MNC. An important influencing factor is in fact the existence and function of transmission channels (Gupta & Govindarajan 2000).
Without transmission channels supporting all sorts of knowledge as well as all methods for knowledge transfer within a MNC, knowledge flow can not take place. Codified communication requires supportive IT-systems, while personal communication and embodied transfer is more challenging considering the geographical distances within a multinational. Personal communication is also supported by IT, but it has to be noted that E-mails do not replace actual interaction and discussion, considering the transfer of tacit knowledge. A more efficient method of knowledge transfer between a subsidiary and the headquarters is codified communication (Bou-Llusar & Segarra-Ciprés 2006). Because codified communication requires an externalisation of knowledge, it also works as part of the knowledge spiral (Nonaka 1991).

However, one previously mentioned point has to be revisited here. When tacit knowledge is made explicit through externalization, it also becomes more visible to competitors and available for them to imitate (Bou-Llusar & Segarra-Ciprés 2006). This is a point that leads back to personal communication as the most efficient knowledge transfer tool. Within embodied transfer the knowledge is protected because of its highly complex form. Complexity and tacitness are the two most important features of knowledge when talking about the competitive advantage of a MNC (Bou-Llusar & Segarra-Ciprés 2006).

2.3.2. The nature of parent-subsidiary relationship

The relationship between the subsidiary and the parent company is important for the knowledge transfer process because it determines the need for knowledge transfer within the MNC. The relationship between parent company and subsidiary can also serve as a barrier to knowledge transfer because it can create resistance in the subsidiary (Fang et al. 2010). It is argued that the subsidiaries have a choice whether or not to engage in multinational knowledge transfer (Schotter & Bontis 2009), and this is a fact that underlines the role that the subsidiary plays in the process. Referring to the importance of managing this relationship, it is necessary to understand the different roles a subsidiary can have in a MNC.

Depending on the role of the subsidiary within the MNC, different needs can be derived. Based on these needs the knowledge transfer relationship can then be established. The role of the subsidiary can be defined by measuring two dimensions (Ordóñez de Pablos 2006), together forming a framework presented in Figure 3 - The subsidiary roles (Ordóñez de Pablos 2006):
• The degree of the subsidiary’s participation in knowledge inflows from the rest of the organization.

• The degree of the subsidiary’s participation in knowledge outflows to the rest of the firm.

Figure 3 - The subsidiary roles (Ordóñez de Pablos 2006)

Depending on these dimensions the subsidiary has different starting points for the knowledge transfer processes to and from its parent company. If the subsidiary works as a local innovator, it is regarded as quite autonomous, and in this case both the inflow and outflow of knowledge is on a low level (Ordóñez de Pablos 2006). The knowledge of such a subsidiary could be regarded as more context specific, because it is probably internally developed and more connected to external partners and local clusters. If the subsidiary is related to its parent company in this way, the processes for knowledge transfer have to be adapted to less frequent flows, with probably a higher demand for adaption.

The opposite situation to the local innovator is the integrated player which is subject to both high inflows and high outflows of knowledge (Ordóñez de Pablos 2006). It serves as a source of knowledge for the other units of the MNC, and has a central role as a knowledge creator (Ordóñez de Pablos 2006). If the subsidiary knowledge transfer is to be successful in both directions in such a context, there is a high need for well developed processes within the MNC.
Two more roles can be distinguished, both with opposite levels of knowledge inflows and outflows. When the knowledge inflows to a subsidiary are frequent but the outflows of less significance, the subsidiary has the role of a local implementer within the MNC (Ordóñez de Pablos 2006). This is a very traditional role of the subsidiary, and it is also in this kind of situation that the reverse knowledge transfer often becomes totally neglected. Even though the most important knowledge transfer occurs from the parent company to the subsidiary, the knowledge outflows should not be forgotten about. They still are of importance for the MNC competitive advantage, considering that all knowledge in the MNC could be of importance for the competitive advantage.

Finally, the subsidiary can have the role of a global innovator, which means that the most important flows are the ones that go out of the subsidiary (Ordóñez de Pablos 2006). This is a very recently discovered role of a subsidiary, primarily because of the independence that the subsidiary is given and the importance of global innovation within that subsidiary. This role highlights the connection between innovation and reverse knowledge transfer. If the MNC is to benefit of the innovations created in its subsidiary, the knowledge transfer processes for outflows from the subsidiary is of outmost importance. Even though not many MNCs yet have identified their subsidiaries as global innovators, the fierce global competition and need for new ideas point out the future role of knowledge transfer in this direction.

It is important to define the role of the subsidiary, because it determines the nature of the relationship between the subsidiary and the rest of the MNC. Also if the MNC is a global corporation with the same strategic roles for each of its units, the knowledge transfer outcomes should determine the knowledge transfer strategy within the whole organization. Having said that, the role of the subsidiaries of a MNC evolves continuously (Almeida & Phene 2004), and therefore the strategy has to support all kinds of roles. A subsidiary might evolve to building new expertise for the rest of the MNC over time, even if this is not the starting point. One subsidiary might also have different roles simultaneously, which makes the definition of a clear role difficult. The most important implication of this model for subsidiary-headquarter relationship, is in fact the significance of knowledge transfer in both directions. The ability of the MNC to recognize that unique knowledge and capabilities may originate from the subsidiaries to an equal extent as it does from the parent company, is of great importance for the existence of knowledge transfer (Schotter & Bontis 2009).
2.3.3. **Influencing factors**

In their study of three multinationals, Gupta and Govindarajan (2000) discovered that the actual knowledge transfer occurring within a MNC was much lower than the expectations of the parent company indicated. Also in a study of six Swedish multinationals, similar discoveries were made, in the six MNC’s the overall level of knowledge transfer was very low (Birkinshaw & Arvidsson 2007). This indicates that knowledge transfer processes in multinationals frequently encounter problems that decrease the success of the knowledge outcomes. The research within the field show several factors that influence the knowledge transfer within a MNC.

The influencing factors can be regarded to appear from two separate contexts; the internal MNC and the external environment (Almeida & Phene 2004), which simultaneously affect the knowledge transfer. The internal context is the HQ and the other subsidiaries, and the external environment is the local context with regional or host-country actors. The ones that are possible to manage within the MNC knowledge transfer processes are mainly the ones related to the internal context. The influencing factors within the internal context are the nature of the social context, informal and lateral structures and systems, interpersonal networks, formal mechanisms and management structures (Almeida & Phene 2004). The external environment is relevant for knowledge creation within the subsidiary, and consequently also for knowledge transfer from the subsidiary to other parts of the MNC. This context involves regional relationships and networks and local knowledge (Almeida & Phene 2004).

The interaction between the different units of the knowledge transfer process is a crucial component of the transfer process, and especially inter-subsidiary interaction has been shown to play an important role (Gupta & Govindarajan 2000). Also the parent company’s role as a creator and distributor of knowledge that has an active role is highlighted by these authors. But it is not only the relationship between parent company and subsidiaries as well as governance of the process that matter.

The role of knowledge characteristics is great when considering their impact on the transfer of knowledge, and knowledge stockiness was identified as an important influencing factor. Li & Hsieh (2009) show in their recent study findings of factors that decrease knowledge stickiness and have positive impacts on the knowledge transfer process within the MNC. As mentioned earlier positive attitudes of individuals is an essential part of successful knowledge transfer (Li & Hsieh 2009), both considering the
source of knowledge and the receiving part. Also innovation is an essential part of the knowledge transfer process, both because of its connection to knowledge transfer itself and the result it has on the employee attitudes. It has been shown that when the knowledge transfer process results in something innovative, employees of the organization that receives knowledge will be less resistant and therefore have a higher level of knowledge satisfaction (Li & Hsieh 2009).

The role of IT is a matter, with conflicting opinions, that has been discussed in several studies. Li and Hsieh (2009) argue that it has positive impacts on the knowledge transfer process, because in the short run it helps the involved parts to find the sources of knowledge and communicate, and in the long run it contributes to the creation of trust and commitment through social networks. Following the argumentation of other authors, this is a technical perspective on knowledge transfer (Zaidman & Brock 2009). Managing knowledge is actually a newer concept than information management, which has implications of its complexity. Information can be managed with IT, but even though knowledge management can be supported by technology, it is not the primary solution for it (Ford & Chan 2003). Considering that I take a social perspective on knowledge transfer in this study, which highlights and investigates the role of people as knowledge transfer facilitators, IT is regarded as a support function only.

Another aspect that is conveyed is the role of managers as enabling agents. The managers have to be aware of both enabling factors and barriers to knowledge transfer, like the level of stickiness (Li & Hsieh 2009), to be able to manage the process successfully. Also problems that appear during the process have to be acknowledged and solved to increase the chance of success (Li & Hsieh 2009). These managers can not be expected to identify critical knowledge and manage the transfer of it without a thorough training in the task. It is in the best interest of the MNC knowledge transfer to introduce and commit all the employees to the strategic goals and different phases of the process.

Buckley and Carter (1999) present in their influential study three solutions to knowledge transfer within a MNC. The use of focused teams is beneficial for the allocation of knowledge, which is a prerequisite for the actual transfer. Focused teams are local in the sense of focus on knowledge, and help to recognize when some knowledge may be applicable in another context (Buckley & Carter 1999). Also a hierarchical overview is beneficial in the management of knowledge transfer (Buckley & Carter 1999). This is connected to the managerial support, because the managers of
knowledge transfer in a MNC need to have an overview of all the hierarchical levels of an organization to be able to support the process. Finally, someone has to coordinate the entire process (Buckley & Carter 1999). Even though everything else works in the context and the managers provide employees with sufficient support, a common coordination and governance of the knowledge transfer aims in the whole multinational corporation is required.

2.4. Research gap

Based on this literature review, some conclusions about what is still left to explore in the field at this point can be drawn. The research in the field of knowledge management is under continuous development, and still there are a lot left to explore and explain. Considering knowledge management and transfer within multinational corporations, the field is even more unexplored and complex. Even though there is a wide range of fundamental facts of the importance of knowledge within the field of international management, knowledge transfer is a relatively new field with a lot of diverse concepts and models (Thompson, Jensen & DeTienne 2009). This means that there are few commonly accepted models for knowledge transfer within a MNC, regardless of its significant importance. These models and theories were presented in the previous chapter, together with the most recent developments in the research on the field, next it is time to take the step towards a new theoretical framework.

Referring to some recent studies of the field of knowledge transfer in multinational corporations (Argote et al. 2009)(Kumar & Ganesh 2009) there are still a couple of gaps to be covered in the research. Argote et al. (2009:579) recognize emerging themes in the field and one of these is research about embedding knowledge in the routines and rules in organizations, and which processes that requires. This study will focus on this emergent theme by exploring which processes are used to embed the organizational knowledge in the Portuguese subsidiary. Kumar and Ganesh map the field of studies in knowledge with their morphology (2009), which shows that most of the field has been studied in some way but combining different units of analysis it is possible to develop new research.

Gupta and Govindarajan (2000) have had great influence on the field with their quantitative study about knowledge flows within multinationals, a mapping of the knowledge transfer process and the key elements that require attention. The effectiveness of knowledge transfer from a parent to a subsidiary is a topic that has
received a lot of attention (Gupta & Govindarajan 2000)(Li & Hsieh 2009). Also the
cultural characteristics of knowledge transfer is a recently researched topic (Rivera-
Vazquez 2009, Wilkesmann et al. 2009, Zaidman & Brock 2009), that is of interest for
this study. Few of these studies take the subsidiary point of view into account, mostly
the question is about efficiency for the parent company. Also the level of analysis is of
importance for the study. There has been a too great emphasis on the macro level of
knowledge transfer (Foss, Husted & Michailova 2010). This macro level aspect forgets
the point that knowledge is a result of individual knowledge and interaction. This study
will contribute to the field of study as combining the process and cultural view of
knowledge transfer, at the same time as taking a different perspective, that is, the one
of the subsidiary.

In order to fill this gap and develop a new approach, I will present a integrated
framework for analyzing knowledge transfer with a social perspective, which has only
been presented in one study so far. The potential of using such a method when studying
the knowledge sharing in a multinational company is evident. Therefore I decided to
develop a framework for this purpose. The social perspective takes into consideration
factors that are seen as highly relevant for the knowledge transfer process, but has not
yet been combined and researched from a subsidiary point of view.
3 THEORETICAL FRAMEWORK

Following the gap in the previous research within the field of knowledge transfer, I will in this part develop a social perspective on the process of knowledge transfer. Through the application of a social perspective, the social aspect of knowledge will be researched. This is the basis for this thesis, and it is argued to provide a deeper understanding into the complex process of MNC knowledge transfer. In practice this means that I in this part I will present the theoretical framework that will work as a basis for the empirical part of this study, illustrated in Figure 6. This is a framework that can be used when planning the knowledge transfer strategy within a multinational corporation.

3.1 A social perspective on knowledge transfer

Following the recent research of some authors, and the previous argumentation, I will take a social perspective on the process of knowledge transfer within a MNC. This is a framework focusing on the people as the facility for knowledge transfer. Since knowledge evolves on a continuous basis as a result of individuals and organizations adapting to their environment (River-Vazquez 2009), a fruitful option to study this phenomenon is through a social point of view. Managing knowledge transfer in a MNC is not always just following the carefully planned processes, but a constant management of upcoming problems and unexpected situations, through the management of people. Knowledge transfer involves an understanding of how employees manage and develop relationships with other employees, where interaction patterns, team and network composition as well as culture are all important factors (Lucas & Ogilvie 2006). The social perspective, initially presented by Zaidman and Brock (2009) can be divided into four individual theoretical perspectives; power and politics, cognitive capacities, organizational perspective and cultural factors. I have developed each of the perspectives based one existing theory, to build a thorough framework for analyzing the knowledge transfer process.

3.1.1 Power and politics

If a company is to achieve competitive advantage through knowledge transfer, power and politics is an issue that has to be managed. It requires an organization that widely distributes knowledge and capabilities through all the internal units and members of
that organization, instead of only providing a selected group of members, like managers and experts, with essential knowledge (Vance & Paik 2005). Power should be a factor totally absent in the knowledge transfer both within an organization and between organizations, because it always implies that the knowledge is not fairly and effectively distributed throughout the organization. Knowledge is important also for each of the members, and if they do not commit to the knowledge sharing it means that optimal efficiency can not be reached.

Motivation is an apparent factor when considering the social aspect of knowledge transfer, which is also connected to power. As stated before, motivation is in several studies presented as a barrier to knowledge transfer (Burgess 2005, Szulanski 2000, Osterloh & Frey 2000). Motivation can be described in a broad definition as the individual’s motives to benefit one’s group or social network (Burgess 2005). The motivation to share knowledge within an organization exists on several levels; the individual level, the interpersonal level, the relationship and the group level (Burgess 2005). On all these levels there are different motivations to share knowledge with others. Effective knowledge sharing in a MNC depends on the behaviour of individuals, whether they identify their knowledge to the organization and share it with other upon necessity (Hutchins & Michailova 2004). Knowledge transfer is a social activity in which employees have to take part on their own initiative, and it is argued to be difficultly incentivized (Lucas & Ogilvie 2006). Especially the transfer of tacit knowledge is hard to observe and depends entirely on each employee’s motivation to participate in the process (Osterloh & Frey 2000). It is therefore absolutely necessary to have motivated individuals willing to share their tacit knowledge to create competitive advantage for the company as a whole. Through organizational forms that support participation and interpersonal relationships such motivation can be created (Osterloh & Frey 2000).

Burgess (2005) found out that the central barriers to knowledge transfer connected to motivation are the lack of extrinsic rewards, stronger levels of group commitment than commitment to the organization, interaction norms and finally the view of knowledge as an asset to achieve promotion. The most important considering power and politics are the commitment issues as well as the use of knowledge as a power tool. Power influences the knowledge transfer both through the motivation of the sender and the motivation of the receiver (Gupta & Govindarajan 2000). In the sending organization information monopoly and power struggles may serve as impediments to knowledge
transfer, while the most commonly found attitude in the receiving organization is the not-invented-here syndrome (Gupta & Govindarajan 2000). The worst scenario is the combination of these two phenomena.

Another common problem seems to be the preference to commit to a division rather than the organization (Burgess 2005), and this is a serious dilemma considering knowledge transfer in a MNC. If the members of an organization are acting within tight divisions and informal groups, the knowledge transfer within those groups is indeed taken care of, but there is a risk of that knowledge not reaching higher levels. The knowledge conversion from tacit to explicit and so on is granted on the group level, but it does not continue to the organizational level, not to mention the intra-organizational level. In a MNC it is extremely important that the knowledge spiral reaches the organizational level, to facilitate knowledge transfer between the distinct organizations within the company.

Internal competition has been identified as a impeding factor for knowledge sharing within an organization. Internal competition makes people more aware of other people motives and become resistant to share knowledge with other individuals. It also motivates employees to undervalue the knowledge of each other and try to put colleagues in a false light (Menon & Pfeffer 2003). Competition is a power tool that is reversely connected to knowledge within an organization; increased competition is always related to decreased knowledge sharing behaviours.

A political factor that has a significant influence on the knowledge transfer outcomes is the value of the different unit’s knowledge stock. Considering the knowledge itself, the value of the source unit’s knowledge stock is of importance for the process. Especially important this becomes when connected to the competitive advantage. The knowledge is of higher value when it is non-duplicative as well as relevant for the target unit (Gupta & Govindarajan 2000). The value of knowledge stock can be measured on all the different levels of an organization, and those are of course the individual level, the group level and the organizational level. Of course, the value of an organization’s value stock consists of the underlying level’s values, and is therefore the most significant indicator. If the value of a unit’s knowledge stock is perceived to be high, it is more probable that the knowledge transfer will occur and furthermore be successful. If the value of a subsidiary’s knowledge stock is highly appreciated by the parent company and the rest of the MNC, the reverse knowledge transfer is much more likely to take place.
Power and politics is a factor that has to be placed a great effort on when planning the knowledge transfer processes within a MNC. Power serves as an impediment to the transfer process, and should not have any connection to knowledge sharing. Knowledge transfer is regarded to occur in environments that are characterized by openness and commitment. Governance of the knowledge transfer process is of course important to manage the process as a whole (Buckley & Carter 1999).

3.1.2. **Cognitive capacities**

It is not only the power play and motivation of the individuals that are important in the multinational knowledge transfer process; another crucial social aspect is the cognitive capacities of the units involved in the knowledge transfer process.

The absorptive capacity of the subsidiary is a factor presented by several authors as a decisive factor of the knowledge transfer success (Fang et al. 2010, Gupta & Govindarajan 2000). Absorptive capacity signifies an organization’s ability to exploit external knowledge (Vince & Paik 2005). The absorptive capacity of the subsidiary, as well as of the parent, is a crucial part of the knowledge transfer process. As mentioned before, knowledge transfer is connected to and dependent on the creation of knowledge, which is affected by the absorptive capacity. The absorptive capacity involves the recognition of valuable new information and knowledge, followed by the assimilation and application of it (Vance & Paik 2005). The absorptive capacity in an organization depends on the existing knowledge stock, and beliefs and assumptions of the members, and can be managed by focusing on these factors (Vince & Paik 2005). It is possible to increase the absorptive capacity of an organization by developing common values and commitment towards common goals (Vince & Paik 2005). Having common values and commitment increases the motivation to accept and offer useful knowledge, and therefore increases the flow of knowledge (Vince & Paik 2005). It is apparent that absorptive capacity is connected to other social factors, like motivation and politics, and organizational culture, and these factors have to be managed simultaneously to secure the knowledge transfer process. It is however important to acknowledge it as a separate actor within the process, because if it is left unmanaged, it can turn out to be a barrier to expected outcomes.

Causal ambiguity is a result of the fact that knowledge is embedded in the routines of an organization (Williams 2007). The knowledge transfer within a MNC is to a great extent influenced by this ambiguity. First of all, it affects the identification of important
knowledge within the subsidiary. It also increases knowledge stickiness and therefore makes the process more time consuming and complex. Causal ambiguity is a factor that can not really be handled in the context of knowledge transfer, but it has implications on how to manage the process. It also highlights the importance of well managed processes that are direct and appropriate, as well as the role of management and organizational culture.

### 3.1.3. Cultural factors

The fact that knowledge transfer in a MNC takes place across national borders has certain implications on the process. The headquarters and the different subsidiaries all have their own national cultures, and when the transferred knowledge is to be implemented in the target organization it has to be adapted to the environment. The different cultural contexts do not only affect the process of knowledge transfer, but also have the potential to increase cross-cultural awareness in the multinational corporation, and ultimately effectiveness, through the cross-cultural communication (Hutchings & Michailova 2004). Hofstede’s cultural dimensions can be used to distinguish the cultural dimensions that have an impact on this adaption, and to determine what kind of impact this is. The dimensions that have been presented to serve as barrier for knowledge sharing are power distance, collectivism, femininity and uncertainty avoidance (Rivera-Vazquez, Ortiz-Fournier & Flores 2009), which are the four traditional dimensions of Hofstede. Authors that have used the GLOBE study have presented corresponding dimensions of this more recent cultural framework (Wilkesmann et al. 2009), with the exception of femininity that was replaced by the factor performance orientation.

The national cultures of the two countries involved in the study are different in many aspects. The differences can be determined by the help of Hofstede’s cultural dimensions, in addition to the researcher’s own experience and ethnographic observations. The cultural dimensions are presented in Table 1 - Hofstede’s cultural dimensions. The fifth dimension will not be used directly in this study, because of the availability of scores, they are only approximates. However, it should be noted that there is a big difference between the two countries on this dimension, which can explain some of the upcoming issues.
The power distance in Portugal is on a higher level than it is in Finland. Power distance is in fact the most obvious impediment to efficient knowledge transfer within a MNC. Hofstede defines power distance as the extent that members of an organization accept a unequal distribution of power (Hofstede 2001). A smaller power distance benefits the two way communication flow within an organization (Rivera-Vazquez, Ortiz-Fournier & Flores 2009). This exchange of knowledge has been seen as a vital part of MNC knowledge transfer within this study. In cultures with higher power distance the communication and knowledge transfer tends to take a top down direction (Ford & Chan 2009), which naturally stands for only one half of the possible knowledge transfer. The strong hierarchic differences means that knowledge is transferred only based on direct instruction (Fang et al. 2010). But here Ford and Chan (2003) add a different view of the power distance dimension where they argue that high power distance could enable knowledge transfer in both ways if management supports knowledge sharing among employees.

Contrary to the previous dimension, individualistic thinking is higher in Finland than it is in Portugal. Also the level of individualism has a great influence of the knowledge transfer within an organization (Rivera-Vazquez, Ortiz-Fournier & Flores 2009). Collectivism indicates the degree to which members are expected to integrate within an organization, and is the opposite of individualism (Hofstede 2001). A high level of collectivism (= lower individualism) signifies cooperation between the members of an organization and this in turn benefits the knowledge sharing within the organization (Rivera-Vazquez, Ortiz-Fournier & Flores 2009). Knowledge sharing is a result of social interaction and informal networks, which are routines more apparent in collectivist cultures. Lower levels of collectivism may create barriers to knowledge transfer, which have to be acknowledged and managed, because individualism encourages actions quite the opposite to knowledge sharing (Ford & Chan 2009). Individualistic cultures face barriers like those presented in the power and politics chapter. Referring to the GLOBE

<table>
<thead>
<tr>
<th>Country</th>
<th>Power Distance</th>
<th>Uncertainty avoidance</th>
<th>Individualism</th>
<th>Masculinity</th>
<th>Long-Term Orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td>33</td>
<td>59</td>
<td>63</td>
<td>26</td>
<td>High</td>
</tr>
<tr>
<td>Portugal</td>
<td>63</td>
<td>104</td>
<td>27</td>
<td>31</td>
<td>Low</td>
</tr>
</tbody>
</table>

Table 1 - Hofstede's cultural dimensions
study a distinction of in-group collectivism can be made. In cultures with high in-group collectivism knowledge transfer is supported within the group, but in fact restrained between in- and out-group members (Fang et al. 2010). Here, some similarities with the tendency to prefer commitment to one’s division can be seen. In-group collectivism advocates knowledge sharing within the division, and might create a barrier to MNC knowledge transfer.

The dimension of masculinity seems to be the only dimension where the two countries are quite similar, which is on a low level. Femininity is a cultural dimension that has been shown to increase levels of knowledge transfer within an organization (Rivera-Vazquez, Ortiz-Fournier & Flores 2009). Consequently, masculinity decreases knowledge sharing activity. This is apparent when considering the characteristics of a feminine culture. Higher levels of femininity imply that the members of an organization feel secure to share knowledge and that the culture is characterized by reconciliation (Rivera-Vazquez, Ortiz-Fournier & Flores 2009). A high level of masculinity on the other hand is a feature connected to competition among the members of an organization, which clearly creates barriers to knowledge transfer. In cultures characterized by masculinity, it is important to show the value of knowledge sharing among members and to reward such behaviour, because if the competitiveness is individually based people are intimidated to share the knowledge they possess (Ford & Chan 2009). Motivation that was discussed earlier in the power and politics part is also an important factor in such cultures. Fang et al. (2010) recognize that incentives and rewards, and most of all recognition, are needed in cultures with high performance orientation, and this is to a large degree connected to cultures with high masculinity.

The last dimension is interesting because of its somewhat different nature and implications. Uncertainty avoidance implies that the members of an organization are programmed to feel uncomfortable with unfamiliar or unstructured situations (Hofstede 2001). Uncertainty avoidance is considerably higher in Portugal than it is in Finland. Uncertainty avoidance may serve both as a barrier and an enhancer to knowledge transfer, depending on the other features of the organization. Primarily a high level of uncertainty avoidance is connected to stricter rules and regulation which is regarded as a barrier to knowledge transfer within an organization (Rivera-Vazquez, Ortiz-Fournier & Flores 2009). When there are stricter guidelines for the interaction between members, innovative activities and informal communication are activities that decrease in frequency. On the other hand, if for example the power distance is also on a
high level, the members of an organization might need rules and routines for knowledge sharing and communication which each other, and in that case rules and regulations connected to higher uncertainty avoidance can act as a facilitator. With clear responsibilities for topics, tools and administration rights it may be easier to manage the knowledge transfer within an organization.

In addition to these dimensions the more recently discovered long-term orientation is argued to increase knowledge sharing among the members of an organization (Ford & Chan 2009). If the members are more oriented towards the long-term goals of an organization they are more likely to be interested in the outcomes of knowledge sharing and the implications it has for a company. In long-term oriented cultures it should at least be easier to motivate and familiarize towards knowledge transfer.

Having said this about the cultural dimensions and their implications on the knowledge transfer within an organization, one distinction has to be made. There are two sources of cultural dynamics, and only one of them is connected to Hofstede’s dimensions. The readiness to share knowledge is affected by the cultural dynamics from the external environment as well as from the internal environment. It is only the external environment that is connected to Hofstede’s dimensions and the national culture, the internal environment is built upon the organizational and personal cultures, discussed in the following section.

### 3.1.4. Organizational perspective

The most important implication of the impact of the cultural dimensions is connected to the organizational culture and communities of practice, which is the organizational perspective on knowledge transfer. This answers the question about how companies with significant cross-cultural differences can create a climate for effective knowledge sharing. The organizational culture has to be adapted to cope with and remove the limitations that originate from the national culture of an organization (Rivera-Vazquez, Ortiz-Fournier & Flores 2009). This is based on the assumption that the organizational culture in fact is more efficient and active in shaping the social identity of an organization than the national cultures are (Rivera-Vazquez, Ortiz-Fournier & Flores 2009). National cultures are not in the hands of an organization to manage, but organizational culture is. Organizational culture is a concept that involves the basic, taken for granted assumptions and deep patterns of meaning, which are common of an organization (Ajmal & Koskinen 2008). The organizational culture has to have a strong
set of core values, which encourages active participation and commitment (Lucas & Ogilvie 2006). This involves the employees’ view of knowledge as a common organizational asset and a common involvement in decision making processes (Lucas & Ogilvie 2006).

Important is also the fact that organizational culture has both the ability to increase and decrease knowledge transfer within an organization (Ajmal & Koskinen 2008). This further highlights the role of the organizational culture, since it can create barriers to knowledge transfer when left unmanaged. An organization’s culture involves several sub-cultures (Ajmal & Koskinen 2008), and these should all be integrated regarding the goals for knowledge transfer to facilitate common action towards successful knowledge sharing.

The organizational perspective is more directly connected to actual activities that facilitate knowledge transfer within a MNC. Supporting values and communities of practice are important tools to improve the organizational culture towards knowledge sharing (Rivera-Vazquez, Ortiz-Fournier & Flores 2009). Also management support, incentives, social networks, job security and corporate language are important factors that can remove barriers for knowledge transfer when managed correctly (Rivera-Vazquez, Ortiz-Fournier & Flores 2009). Management support is not only important when establishing formal knowledge transfer, but already before that when critical knowledge is to be identified (Ford & Chan 2009). Ford and Chan (2003) argue that language differences can create critical knowledge blocks, because the knowledge literally gets lost in translation. Other types of knowledge blocks are differences in frame of reference, distrust and knowledge hoarding (Ford & Chan 2009). Another practical solution would be to move some of the responsibility from managers to a team established to coordinate and manage both knowledge that is created in the subsidiary and knowledge transferred from the parent company (Buckley & Carter 1999).

Ford and Chan (2009) found evidence for the distinction that knowledge flows between cross-cultural groups tend to be formal and business related, opposite of within cultural groups where it tends to be informal. Here, one could point out the importance of an organizational culture that emphasizes social informal networks across the borders within a MNC. Casual networks of this type can be regarded to facilitate informal flows of knowledge (Ford & Chan 2009). The types of knowledge that flows in informal networks is argued to be different from that of formal networks, with regards to creativity and personal influences (Ford & Chan 2009). These characteristics motivate
a supervision of informal knowledge flows, with the goal of integrating them with the formal networks in an organization (Ford & Chan 2009). On the other hand it is hard to manage informal flows without disturbing their existence, but this is where the organizational culture can play an important role. Informal interaction between individuals is to a great extent facilitated through a supportive organizational culture (Ajmal & Koskinen 2008).

When it comes to the organizational culture of a MNC, one can draw lines to the global environment of the organization. The global environment can in fact be seen as a new level of climate and organizational culture. It is argued to change the reality of business by having an impact on national cultures, organizational cultures as well as on personal identities (Rivera-Vazquez, Ortiz-Fournier & Flores 2009). This has certain implications on the future of knowledge transfer within organizations, but as it is now, national cultures and organizational cultures are seen as the most significant factors that affect strategic decisions within knowledge transfer, even in multinational companies.

An underlying assumption is that an organizational culture that promotes knowledge sharing within the organization is crucial in obtaining and maintaining a competitive advantage (Rivera-Vazquez, Ortiz-Fournier & Flores 2009). The key is to develop an environment that is enhancing knowledge transfer, and this is done through the organizational culture, with consideration for the national cultures (Rivera-Vazquez, Ortiz-Fournier & Flores 2009).

3.2. Summary

Knowledge transfer within a multinational company is a complex process that is influenced by several factors. Because of the complexity and social aspect of the process, it is not an easy task for managers to develop and implement a working knowledge transfer network. Still, it is of such an importance for the competitive advantage on the global market that it is worth investing time and effort in, the competitive advantage being a result of the organizational capabilities and ultimately the knowledge of each individual.
Knowledge transfer, which occurs in the forms of personal communication, codified communication, and embodied transfer, evolves through the different levels of an organization and ultimately between the separate organizations of a MNC. This knowledge conversion can be described with the SECI model, indicating the significant distinction between tacit and explicit knowledge. The distinction between the two types of knowledge as well as the other characteristics of knowledge also indicates whether the knowledge can be directly replicated, which means copied, to the subsidiary, or whether it requires adaption to the new context. Based on a careful analysis of knowledge characteristics and knowledge transfer characteristics a comprehensive knowledge transfer system can be designed, differing in each firm according to context (Buckley & Carter 1999).

The two-way knowledge transfer between the parent company and its subsidiaries is shaped by many actors, for example the different dimensions of knowledge, the relationship between the units, and all the influencing factors, both internal and external. It becomes apparent that most of the knowledge transfer is somewhat dependent on the fact that knowledge is socially produced, and shared. Therefore are also the most important influences a result of this aspect. These influencing factors can be regarded in the light of a social perspective. The social perspective regards the social environment of knowledge transfer within an organization, which has to be managed as a part of the process. The power and politics influence the relationship between individual, groups, and units of the company through the issues of motivation and competition, and the value of the knowledge stock. The cognitive capabilities regard the actual capability to share and receive knowledge, both within the subsidiary and parent company. The national cultures affect the whole process and outcomes of knowledge transfer in a MNC. This is of course because of the different national cultures involved. The impact of the distinct cultures can be defined with the help of Hofstede’s cultural dimension power distance, collectivism, femininity and uncertainty avoidance, and by analyzing how differences within these dimensions affect the knowledge transfer.
between two national cultures. Finally, the organizational perspective indicates that all these influences and factors can be managed by implementing an organizational culture that facilitates knowledge transfer. This is facilitated by a simultaneous management of organizational and national cultures, power, and cognitive capabilities.

Considering the influencing factors in the context and the social perspective, many activities that support knowledge transfer are apparent. Knowledge transfer within a multinational corporation is based on interpersonal social relationships and networks within the organization. It is supported by IT and an organizational structure and design that facilitate effective knowledge flow. There has to be sufficient transmission channels through the three methods of personal and codified communication, and embodied transfer. The managerial support and governance of the process is fundamental if the process is to meet the desired outcomes and overcome barriers encountered on the way.

Based on these conclusions a framework for the knowledge transfer process within a MNC can be derived, as presented in Figure 5 - A framework for the analysis.

![Figure 5 - A framework for the analysis](image)

The knowledge transfer between the parent company and subsidiary of a multinational corporation should be a two way process between these two organizations. Within each organization the knowledge transfer occurs through the individual, group and organizational levels. The two way transfer of as well tacit as explicit knowledge evolves through the organization with the help of the knowledge conversion spiral, whereby it is transferred to the other organization through replication or adaption.
The relationship between headquarters and subsidiary, the different dimensions of knowledge, and the extent to which different transfer methods are used have an important impact on the planning and the management of the MNC knowledge transfer. The relationship between subsidiary and headquarters depends on the knowledge transfer role of the subsidiary within the MNC. The different dimensions of knowledge determine the transfer method required to transfer that knowledge. The knowledge transfer is enabled by the means of personal communication, codified communication and embodied transfer. Finally the social perspective, including power and politics, cognitive capacities, national culture and the organizational perspective shape the knowledge transfer, and all these factors have to be managed if the knowledge transfer is to turn out to be successful.

This framework will be used as a basis for the analysis of the collected data, to analyze the actual knowledge transfer processes in the MNC and how it is shaped by the influencing factors and the social aspect.
4 METHODOLOGY

The purpose of this chapter is to explain the process of gathering all the necessary data for my analysis. The methodology chapter starts with a summarizing framework, which presents the research methods of the study, starting with the perspective and strategy, followed by the actual research design and the data collection methods. These will be thoroughly explained after the presentation of the framework. Ultimately I will present the selected method for data analysis and argue for the quality of the applied research methods.

4.1. Methodological framework

The methodology of this study can be concluded by a simple figure, showing the extent of the different phases. This framework, pictured in Figure 6 - A methodological framework (adapted from Saunders et al. 2007), is based on the research process developed by Saunders et al. (2007). The framework is dominated by the overall research philosophy, which determines the rest of the stages. As mentioned this study follows a constructionist approach. The philosophical perspective is followed by the research strategy of an abductive qualitative method. The research strategy in turn has specific implications on the design of the study, which is a combination of a case study approach and also to a smaller part of ethnography. These phases are finally determining the actual data collection methods, which in my study are mainly consisting of interviews, but also to some extent of observations. The goal of this framework is to reach the purpose of the study through valuable results.
4.2. Research Philosophy

The philosophical perspective, or epistemology, of this study takes distance to the positivistic point of view, leaning more towards the constructionist perspective. The basic principle for this view is that research constructs its reality by being a social process dependent on the understanding for cultural, social, political and economic factors (Peter & Olson 1983). This is a natural point of view considering the topic of knowledge transfer and its social aspect. The constructionist research is built on the assumptions that an absolute truth does not exist, and therefore the researcher’s main task is to develop an understanding of how the reality is constructed in the everyday life in organizations (Easterby-Smith, Thorpe & Jackson 2008). Other features of the constructionist perspective are that all research is subjective as well as context and time specific (Peter & Olson 1983). The research creates context specific ideas and theory (Peter & Olson 1983). I intend to restrain the feature of subjectivity by not letting my own point of view influence the empirical study, but it is impossible to completely remove this aspect. By motivating for the reliability of the research the subjectivity will be decreased to the extent that is possible within constructionist research.

Referring to the purpose of the study, one of the main tasks is to involve the cultural and social factors of the knowledge transfer, and therefore the constructionist perspective is the only appropriate way to go. The aim of the study being to develop the
understanding for how the Finnish knowledge is implemented with respect to the Portuguese context and culture in the subsidiary, a deep insight into the Portuguese subsidiary is required. The processes of knowledge transfer and implementation are to a large extent dependent on prevailing social factors in the organizations that are objects for this study. In order to see which factors influence the knowledge flow into the Portuguese organization, the first task is to establish a picture of the everyday reality in that organization. The organizational culture is a product of the common and individual experiences, and these have to be explored for the scope of the study to be facilitated.

4.3. Research Strategy

The purpose of this study is to develop the understanding for how the Finnish knowledge is implemented with respect to the Portuguese context and culture in the subsidiary. It is important to understand the context that these organizations are acting in, in order to describe the processes and which factors that have the greatest influence. It is important to choose a research strategy that aligns with this, as well as with the philosophical perspective of the study.

Quantitative and qualitative data can both be used in all the different research perspectives (Easterby-Smith 2008), but the purpose of the study clearly determined which strategy is more appropriate. Because the purpose of the study is explanatory, the strategy is going to be based on the qualitative approach. Qualitative data differs from quantitative data in many ways, but most in the aspect that it is expressed mostly in the form of words (Easterby-Smith 2008). Qualitative data and research facilitates an in-depth approach and analysis of the organizations that are target for the study. Referring to the philosophical perspective, the strategy is to follow a qualitative approach, and develop the methodological design according to this. The research strategy will follow the pattern of abductive research, also called systematic combining (Dubois & Gadde 2002), aiming to explain the knowledge transfer process with the help of a new perspective.

4.4. Research Design

The research design is developed according to the research strategy and perspective, as well as the purpose of the study. The research design is going to follow the model of case study research, but also some other elements are included. An expressive case
study is a study of cases because of their unique features that either leads to or not to
generalizable results (Easterby-Smith 2008). Because the aim of this study does not
include providing generalizable results and the observation and research of unique
cases can be seen as valuable for the results, this is the kind of design that will be
applied.

Ethnographic methods for data collection could be argued to provide answers to the
research questions and the aim of this study. Within ethnographic methods the
researcher, thanks to the participative role in the organization, has an opportunity to
discover social aspects that are a result of the individual and common experiences of
the organization (Easterby-Smith 2008). This opportunity enables the researcher to
gain an understanding for the organization culture and the social phenomena of the
organization that is object for the research. However, due to the lack of resources such
as time and accessibility, it will not be used as a main method for data collection, even
though ethnographic methods will be a complementing part of the study.

Another group of qualitative data collection methods is the collection of natural
language data, which is a very broad but distinct research design. The aim is to gain an
understanding of existing values, assumptions and perceptions of an organization
through direct communication with selected members of that organization (Easterby-
Smith 2008). This method of data collection is more efficient regarding the time and
resources spent, and yet the aim of the study is obtainable using this method. This
method of data collection includes all the different types of interviews, which
consequently will form the basis of the data collection for this study.

The unit of analysis will be both on the individual and the organizational level. The
interviews will provide information about both the individual level, the group level, and
the organizational level, but in order to reach the aim of the study the information
derived from the respondents has to be applied on the organizational level. On the
organizational level the unit of analysis is primarily the existing processes and factors
influencing the knowledge flow. This is the only way of covering the overall cultural
context. Another feature of the research design is when the research is conducted. The
time horizon of the case study is a mix between a longitudinal and a cross sectional
study. In a cross-sectional study the research is performed at the same time in all of the
organizations that are target for the case study, and in a longitudinal study the same
research is conducted at different point of time. The purpose of this study aligns with
the one of a cross sectional study, but because the data collection in Portugal occurred
considerably earlier than the data collection in Finland, the study can not be regarded as fully cross sectional.

The methodology for this case study is special in the sense that it consists of two data collection phases. The first phase was a stage of creating a pre-understanding, at the same time as going directly to the root of the phenomenon. This was done in Portugal with five interviews altogether at two Finnish subsidiaries of the same holding company. Furthermore the time that I as a researcher spend in Portugal, which was 5 months, can be seen as an ethnographical phase of the study, where I came very close to the Portuguese culture. This initial data collection was then followed up by one pilot interview in the form of a discussion, and four semi structured interviews, at the Finnish headquarters. The initial interviews are seen to provide a picture of a subsidiary view on knowledge transfer in practice, while the subsequent interviews give a more strategic view on the same phenomena, where the results from the first phase interviews were further reflected upon.

4.5. Data collection

The data collection method is highly dependent on the strategy and design of the research. Qualitative research bases its analysis on qualitative data, such as assumptions, values and perceptions (Lundahl & Skärvad 1999). The data collection of natural language data in this study is mainly based on interviews, which allows the researcher to hear the thoughts of members of the organization, and take part of their values and beliefs (Patton 2002). Through the interviews it is possible to gain a thorough understanding of the phenomenon of interest. The interviews will take place at two distinct periods of time, the first five interviews during spring 2010, while the second phase of interviews are conducted during late fall 2010. This difference in time will not be considered to affect the results significantly, because no organizational changes take place between the two interview phases. The difference is simply a result of the different geographical locations of the interviews.

Furthermore the Portuguese culture will be observed during half a year during the initial phase of this study. This observation will facilitate a deeper understanding already before entering the organizations and performing the interviews, and are a necessary element of the data collection. Without having a pre-understanding for the national culture in the country that the subsidiary operates, it would not be possible to make a distinction between the organizational culture and national culture when
entering the organization in Portugal. This ethnographic phase can also be regarded as building a pre-understanding for the case study, because it will take place already before the first phase of interviews.

In addition to these elements, the interviews in Portugal included a visual part, where the respondents were asked to draw a mind map of their knowledge transfer network. This was done to obtain a picture of the width of each respondent’s personal network.

4.5.1. Sample

The method for the selection of cases is of particular interest when it comes to qualitative studies. Because a qualitative study focuses mainly on depth, and not width, the selection is narrowed to only a handful of respondents, in some cases it might even be justified to use only one case (Patton 2002, Silverman 2005). In a very extensive study of such a complex phenomenon, it is necessary to narrow down the number of cases. Only this way it is possible to gain the essential insight into the process. Furthermore, a main distinction can be drawn between a random sample, and a purposeful sample. The random sample is mainly used in quantitative studies where the purpose is to be able to generalize and come up with universal results. When it comes to qualitative studies it is important to choose respondents that are rich on information and appropriate for the purpose, and therefore a purposeful sample is preferable (Eisenhardt 1989, Patton 2002). Here, the same reasoning goes as for the size of the sample; the importance of a thorough and deep picture.

The case of this study is a Finnish multinational that will be held anonymous because of the depth of the study. The MNC is a global supplier of technology and services within the Industrial goods and services sector, with net sales of 5 billion Euros in 2009. It is present in more than 50 countries worldwide, and has altogether approximately 27000 employees. The MNC is lead by a CEO of the whole group, which consists of three reporting segments. Under the CEO there is an executive team, which in turn is supported by an executive forum. Each reporting segment is lead by a president that reports to the CEO. The three reporting segments consist of eight business lines, each with their own presidents.
<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Experience</th>
<th>Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afonso</td>
<td>General Sales Manager</td>
<td>20 years</td>
<td>A, Portugal</td>
</tr>
<tr>
<td>Bruno</td>
<td>Customer Service Sales Mgr</td>
<td>9 years</td>
<td>A, Portugal</td>
</tr>
<tr>
<td>Cristiano</td>
<td>Controller Assistant</td>
<td>2.5 years</td>
<td>A, Portugal</td>
</tr>
<tr>
<td>Duarte</td>
<td>Country Manager</td>
<td>15</td>
<td>B &amp; C, Portugal</td>
</tr>
<tr>
<td>Eva</td>
<td>Controller</td>
<td>20 years</td>
<td>B &amp; C, Portugal</td>
</tr>
<tr>
<td>Fredrik</td>
<td>President</td>
<td>9 years</td>
<td>C, Helsinki</td>
</tr>
<tr>
<td>Heikki</td>
<td>SVP, Production</td>
<td>27 years</td>
<td>C, Tampere</td>
</tr>
<tr>
<td>Ilari</td>
<td>SVP, Strategic Development</td>
<td>10 years</td>
<td>C, Helsinki</td>
</tr>
<tr>
<td>Jaana</td>
<td>SVP, HR</td>
<td>1.5 years</td>
<td>C, Helsinki</td>
</tr>
<tr>
<td>Kirsi</td>
<td>SVP, HR</td>
<td>9 years</td>
<td>Group, Helsinki</td>
</tr>
</tbody>
</table>

**Table 2 - Respondents**

In this study I will use a handful of respondents in each organization, presented in Table 2 - Respondents, to obtain the desired results and to fulfil the purpose of the study. In order to gain an in-depth research I have chosen to do research at only two subsidiaries of the same multinational group, but within these companies a couple of respondents are going to be interviewed to obtain a fuller picture. In Portugal, 3 respectively 2 members of the subsidiaries of these companies were interviewed. In Finland 4(+1) members of the MNC were interviewed, to complete the picture and obtain a picture of the strategy for knowledge transfer. The respondents are presented with anonymous names, still reflecting the nationality and gender of the respondents.

In Portugal, the goal is to gain a subsidiary perspective on an individual level, and because the organizations are fairly small, the small number of respondents is seen to be sufficient. In these interviews the goal is to be able to hear and see employees of the MNC’s subsidiary, to understand how they take part in the knowledge sharing process. The respondents are all from different levels of the organization, holding positions spanning between country manager and assistant. In Finland on the other hand, management level employees are interviewed, in order to obtain a strategic point of view, this time on an organizational level. The respondents are all on a top-management level, from different parts of the parent organization.

**4.5.2. The interviews**

Having the options to perform informal discussion based interviews and structured interviews, the natural choice for this study, taking the sample into account, is a structured interview (Patton 2002). When there is more than one organization subject to the research, the aim is to perform as similar interviews in all of the organizations. The structured interview, with either a standardized or general interview guide, allows
the researcher to follow a pre-defined structure and gain similar data from all respondents (Patton 2002:343). But standardizing the interview guide leads to inflexibility and might harm the depth achieved in the interviews. The general interview guide, leading to semi-standardized interviews, allows for some control of the content, but does still give the interviewer the opportunity to ask follow-up questions and probing. One way is to subdivide the interview into main topics, and then to write down key concepts of each sub topic (Patton 2002). Probing is used to enhance the level of information obtained in each interview, adding depth to the answers (Patton 2002), and means encouraging the respondent to keep going with the answer, and to clarify everything that might be unclear.

The interview guide is structured according to the strategy for the interviews. The aim of this study being to obtain a thorough understanding of a phenomenon, with the opportunity of asking follow-up questions and probing, the interview will be based upon a general interview guide. The interview guide for each of the interviews in this study follows the semi-standardized structure, with topics divided into different parts, all including main questions and key concepts of interest. That means that in this interview guide, all the themes for the interview will be grouped into categories, each consisting of a number of open answer questions. The questions are formulated to be as open, neutral, clear and unambiguous as possible (Patton 2002). Each of the questions is followed with sub questions according to the answers that the respondents provide.

The interview guide for the interviews in Portugal followed the same format for each interview, see Appendix 1 - Interview guide Portugal. Using the same semi-structured interviews is a way of ensuring that each interview has the same starting point, and includes the same main points, without affecting the outcomes too much. Within the subsidiary interviews the knowledge transfer process was researched on the individual, group and organizational level. In addition to this the respondents were asked to describe their view of the parent organization and its culture. The interviews at the parent organization in Finland were a bit wider regarding the contents. The topics covered were strategic capabilities and critical knowledge, organizational knowledge transfer as well as the organizational culture. The complete interview guide for these interviews is presented in Appendix 2 - Interview guide Finland.
4.6. Data analysis

The method of data analysis is to a large extent dependent on the other parts of the methodology, and especially the qualitative approach has implications on the data analysis. A qualitative approach often results in a bigger amount of data, and therefore much emphasis has to be placed on this part. The sense making process at this stage is determining the outcomes of the whole study, and without an extensive analysis no conclusions can be drawn.

The research strategy being qualitative, an approach that is abductive to its nature will be selected. The aim with this study is to describe the reality that exists in the researched organizations, and how this relates to the existing theory. To be able to describe the organizations it is necessary to through direct conversation and observation create a deeper understanding for the social context of these organizations. The abductive approach signifies a process of interplay, in contrasting theory with the empirical research (Dubois & Gadde 2002), which is an appropriate description for the research process of this study. The aim is to with the help of the developed theoretical framework describe the process of knowledge transfer within a MNC, which is the basic presumption of the abductive approach. The abductive approach is efficient in gaining new insights on known phenomena (Dubois & Gadde 2002).

The data analysis of this study follows a so called alternate templates strategy, as presented by Ann Langley (1999). The alternate templates strategy is a sense making strategy through which several alternative interpretations of the same events are presented (Langley 1999). This is based on the use of several perspectives, providing insights of a complex situation. This method can also be identified with Morgan’s (1998) use of metaphors to analyse an organization through several different lenses, and thereby be able to capture things that would not be visible through only a single perspective. The templates that will be used for the analysis of the collected data are the four perspectives, which together form the social perspective on knowledge sharing, power and politics, cognitive capacities, organizational perspective and cultural factors (Zaidman & Brock 2009).

This strategy for analysis is regarded to combine richness with clarity of the researched problem (Langley 1999). It has therefore turned out to be suitable for in-depth studies of only one case. The challenge of combining the different templates (Langley 1999),
will be overcome through the combination of these into an overlapping social perspective.

4.7. **Research Quality**

One of the most crucial points of a research process is arguing for the quality of the performed research. While the positivism concentrates on how close the researcher has come to the truth of the researched problem, the constructionist epistemology is more concerned with how well the researcher has understood and obtained the experience of the subject for the research, and how transparently the interpretation of the data is performed. Following this concern, I will in this part argument for the reliability of my study.

The general measures for research quality are generalizability, validity and reliability. Generalizability is a feature that is not part of the aims for this study, and therefore this criterion is not applicable. The concepts of validity, arguing for the actual access to the experiences of the target for the research, and reliability, showing the transparency of the sense making process (Easterby-Smith et al. 2008) are not measurable in qualitative studies like there are in quantitative ones. Therefore, another type of criteria will be used to argue for the quality of this study. These are five measures presented by Wallendorf and Belk (1989): credibility, transferability, dependability, confirmability and integrity.

The credibility means basically the same as validity, which is that the researcher has made objective interpretations of the phenomena that is studied (Wallendorf & Belk 1989). The credibility of this research process is increased by triangulation. Triangulation has been conducted in many different ways during the research process for this study. First of all, a triangulation of data was accomplished through the two phased data collection process. Interviewing both Portuguese employees and persons of the Finnish top management level, secured that both sides of the same phenomena was researched. Also a kind of triangulation of methods was carried through as an observation of the Portuguese culture. Observing and experiencing the Portuguese culture before the subsidiary interviews, the researcher was familiar with the local culture and could make distinctions between national and organizational culture at the subsidiary. Finally the alternate templates analysis serves as a theoretical triangulation, allowing the researcher to make different analysis of the same phenomena, minimizing the risk of draw overly simplistic conclusions.
Transferability is a criterion that is somehow connected to making generalizations, but more concerning the research process than the actual results (Wallendorf & Belk 1989). Transferability as a quality criterion is not considered to be of great importance for this study, because of the unique context of the Portuguese subsidiaries of the Finnish MNC. However, through an in-depth description of theoretical framework, results and analysis the process is made as clear as possible for the reader. In theory this means that the same type of study could be realized in another context.

The measure of dependability shows how solid the research process is (Wallendorf & Belk 1989), and is within this study justified through a transparent description of the research process. This methodology chapter serves as an argument for the transparency of this study. The transparency of the study is motivated by showing how the research has been conducted from the starting point of the data collection process, through the process to the final stage of analysis of the collected data.

The confirmability of a research means the possibility to follow the argumentation and interpretation of the researcher (Wallendorf & Belk 1989). During the research process the level of objectivity has always been highly prioritized, as far as it is possible within the constructionist approach. Being a part of the research process it is never possible to be fully objective, but the own experience and opinions of the researcher were always left out of interview situations, to facilitate an unbiased description of the knowledge transfer process. The decision to start the research process in Portugal also decreased the risk of being subjective, because the subsidiary view represented a first, unbiased, picture of the phenomenon. By transcribing each of the interviews a detailed record of each respondents answer was always present during the stage of data analysis. In addition to this field notes were taken during the interviews, to be able to take into account details not captured on the record.

Lastly, the integrity shows that the research has not been biased by wrong information given by the informants of the study (Wallendorf & Belk 1989). In each of the organizations that are target for the study several persons were interviewed to ensure that the study would not get biased by only one person’s subjective view of a situation. Also the initial informal discussion carried though with the President of reporting segment C provided an initial picture of the phenomenon, followed up by in depth interviews with the four Finnish top management respondents.
Apart from these quality criteria, the fact that this study was kept anonymous is an important feature. Through keeping both respondents and the MNC anonymous, the results could be openly presented and discussed, without risking the ethical stance and openness of the study.
5 RESULTS

In this chapter I will present the results from the case study. The results from the interviews in the two subsidiaries in Portugal are regarded to provide a subjective view of the subsidiary view on knowledge transfer. This is particularly true because they were conducted at first, without having a picture of the strategic intentions of the headquarters. The latter headquarter thoughts serve as a strategic description of the MNC knowledge transfer. Because of their contents the strategic view will be presented before giving a picture of the situation in the Portuguese subsidiaries, even though the data collection for the stages occurred in reverse order. The results will be presented in three different sections, depending on the topic. The topics are extracted from the factors determining the knowledge transfer process in Error! Reference source not found., which are the knowledge dimensions, the relationships and the transfer methods. In addition to there will be a fourth section, contrasting on the perceptions of culture. In each section I will contrast the results from the initial interviews with the results from the latter ones.

The strategic point of view is a result of the pilot discussion and the four interviews conducted in Finland, which together form a thorough picture of the situation at the MNC. Regardless of the lack of a general knowledge transfer strategy, several derivations of how it is managed in practice could be observed. Already during the initial discussion with the President of reporting segment C, the importance and relevance of the topic of knowledge transfer within the MNC was confirmed. Two different types of processes, requiring different types of knowledge transfer were identified: establishing operations and managing customer relationships. These two processes define the need of knowledge transfer within the MNC.

5.1 Knowledge dimensions

The distinct knowledge dimensions were expressed by both headquarter and subsidiary respondents, either indirectly when asked about the knowledge transfer or directly when stating the strategic capabilities of the MNC. Especially the distinction between technological and service knowledge, which at the same time is a tacit-explicit distinction, was consequently mentioned, and in fact it is an important feature that shapes the knowledge transfer.
5.1.1. **Headquarter view**

The MNC is a very technology intense company, and the explicit technological knowledge plays an important role for business. New technology development as well as updating existing technology and products is a top priority, and consequently it gets a lot of attention and investments within the MNC (Kirs, interview 25.11.2010). It is the most important strategic capability, as expressed by all respondents, and has had an important role in shaping the company and its culture. This capability is connected to technological know-how, which is deeply rooted in the MNC. Technological knowledge being to a great extent explicit, means that it is manageable, storable and transferable.

The human resources, and the connected practices, were presented by several respondents as another of the most critical success factors of the MNC. The employees are regarded as the primary source of capability and development, especially considering the customer focus the importance of the people facilitating this becomes apparent. A lot is invested in HR practices and development (Jaana, interview 1.12.2010). A new kind of social network has been developed within the MNC, including profiles of all the employees globally, and tools for communication, interaction, training and development (Heikki, interview 12.11.2010). It works as a portfolio of each employee and a virtual database of all the competence within the MNC. The human capital inherits a great deal of knowledge that is highly tacit to its nature (Jaana, interview 1.12.2010). The service business is of great importance for maintaining long-term relationships to suppliers and other stakeholders, and this is also part of the distinction made by the president. My interpretation is that it is this tacit knowledge that connects the technological know-how with the service business. The service knowledge is not really formulated in the MNC, but it is apparent in the way the employees handle technological knowledge and maintain customer relationships.

As defined before, there are two different types of knowledge transfer within the MNC, which both need distinct methods for knowledge transfer. The first involves the foundation of new factories and the launch of new products, which is connected to technical knowledge (Fredrik, interview 20.10.2010). These processes require a thorough knowledge transfer process, but here, most of the knowledge is technical know-how. Technology being one of the most critical success factors, this is of course of great importance for the company. Because the technical knowledge is mostly explicit, it is however taken care of with well developed information technology.
The other type of knowledge that is of great importance for the service business is the ongoing customer relationship management, which is to a large extent dependent on tacit knowledge embedded in the organization and its employees (Fredrik, interview 20.10.2010). This knowledge is also context-specific; the customers behave differently on different geographical locations, and therefore need different types of service, from the local subsidiaries, as well as the MNC. It is a challenge for the MNC to manage long-term relationships around the world, according to the values and norms of the company, but still with adaptations to the local contexts of each customer (Ilari, interview 25.11.2010). One of the Finnish SVP’s presented the network knowledge as one of the crucial elements considering organizational capabilities. This feature of critical knowledge is connected to the service business and customer relationships. It is of great importance to know the network of knowledge, in order to access the right type of knowledge at the right time, and know whom to talk to in certain matters. The extensive global network requires the use of the right channels and a general understanding of it.

### 5.1.2. Subsidiary view

The distinction between technical knowledge and knowledge related to service and sales was expressed in the subsidiaries in Portugal as well. Here, it was presented by the country manager of Division A and B through a distinction of two different types of communication. The technical knowledge concerns product updates, changes and new parts, and is directed to communication with technicians. Service knowledge, which is knowledge about customers and pricing, is communicated between the Sales and Accounting departments and the Country manager.

To do my work I need to be customer focused, that is the most important thing. And to know the clients and the real needs of the clients. (Bruno, interview 26.4.2010)

The Sales Manager Bruno mentioned the second type of knowledge when he expressed what kind of knowledge is central to performing his work task. This expression shows the importance of the service and customer knowledge within the subsidiary. My interpretation is that this kind of knowledge is local, and can only be totally managed and understood by the members of that organization.

Apparently, there are different persons involved and different channels used for the different knowledge types. The communication is different in its frequency as well as its
manner depending on which sort of knowledge is transferred. The communication about service is more frequent, and includes more problem solving and consultation.

Also other members of the Portuguese organization indirectly mentioned the different types of knowledge. Training for example is different considering the two types of knowledge. For technical knowledge, training takes place in Finland and is used when new technology, products or spare parts are introduced. Training and development within service and customer relationships is managed locally. When there is a problematic situation with some customer, help is send from the headquarters to the subsidiaries, to together develop new procedures and work out solutions to specific problems. When asked about the communication with the headquarters, the Sales Manager in Portugal expressed a general discontentment with the support for managing customer relations.

It is very difficult to deal with them, because they don’t know the customers. They deal with references and most of the time they don’t know what they talk about. That is a problem that we have. (Bruno, interview 26.4.2010)

This shows the challenge of managing a service business within a global MNC. The parent company is located at one geographical location, and the distance to the subsidiaries and customers is too large to include frequent visits or even communication. The subsidiary acts very independently as a local contact to the customers of the MNC, and the decisions made by its members are those that are acted upon. The service knowledge is developed within the subsidiary, by contrast with the technological knowledge that is developed within the headquarters of the MNC, and then transferred to the geographically distant subsidiaries.

5.2. Knowledge transfer

The processes for knowledge transfer constituted the single most important topic when conducting the subsidiary interviews, with the aim to gain a subsidiary perspective. Important insight were made about the transfer methods, which then were reflected upon in the headquarter interviews. Here, the headquarter strategy is presented first according to the pre-determined structure, and then contrasted with the subsidiary view.
5.2.1. **Headquarter view**

Knowledge transfer within the MNC is not an issue that has been included in the strategy of the company, but nevertheless it was presented by the respondents to have a central role when discussing the future as a globally present company with a solid organization and a common culture. The initial discussion with the president of one of the reporting units was an insight into the strategic importance of the matter, and acted as a definition of the issue. The interviews with top management in Finland showed the importance of knowledge transfer issues, and described the existing knowledge transfer processes and challenges.

I noted that the knowledge transfer tools that are used within the MNC are regular communication methods in combination with projects and training. Also here, the two distinct types of knowledge were distinguished. For codified, technical knowledge, there are well developed transfer tools in the form of IT (Heikki, interview 12.11.2010). However, the focus on customer service means that another type of knowledge has to be transferred as well, that is, tacit knowledge. This knowledge concerns how contacts should be handled, according to the “MNC way”, which is difficult to manage through IT (Heikki, interview 12.11.2010). The tacitness of such knowledge leads to the conclusion that it is most efficiently transferred via personal communication.

Training was mentioned by many of the respondents, and is used extensively for knowledge transfer within the MNC. In general, training was presented to be close to learning by doing, and connected to trust (Ilari, interview 25.11.2010). Regarding international knowledge transfer, training is less personal and more systematized, and these training programs and seminars are mainly used when a new product is launched, or in connection to some new developments (Kirsi, interview 25.11.2010). Usually, the training takes place in Finland, where employees from around the world come to learn about the new procedures (Kirsi, interview 25.11.2010). Also training for support functions like controlling are organized, although this is also to a great extent handled via IT. However, if the MNC is to be able to offer its customers the same solutions around the world, local knowledge supporting the new technology is required.

In addition to training, the use of project teams was expressed as a tool for transferring knowledge within the MNC (Kirsi, interview 25.11.2010). This function was highlighted by the both respondents within HR (Kirsi, interview 25.11.2010, Jaana, interview 1.12.2010). Project teams are established across units and different levels of the
organization, to work on specific tasks with their combination of knowledge and expertise (Kirsi, interview 25.11.2010). This tool is connected to training, but involves more independent meetings and dynamic co-operation, which can be managed partially in a virtual way. The project teams can be argued to have the advantage of being able to share tacit knowledge via personal communication, as well as creating communication and trust internationally. Projects were even mentioned as a critical success factor within the MNC (Kirsi, interview 25.11.2010).

Also IT was highlighted as a communication and knowledge sharing tool within the MNC (Heikki, interview 12.11.2010, Ilari, interview 25.11.2010). IT has an important role for transferring knowledge in the MNC, presumably because of the central role of technology as a critical success factor. It became clear that the intranet within the MNC is highly developed, and knowledge and information about every technical spare part can be found there. Manuals and new procedures are also communicated via the global intranet, and updates and comments can be posted by anyone in the MNC (Heikki, interview 12.11.2010). This has created a sizable knowledge network, accessible regardless of position and location. For meetings, a virtual communication tool is available, which works in a similar way to Skype. I assume that this is a way for the MNC to handle long distance meetings without having to send the employees to geographically scattered locations.

The use of expatriates has for a long time been a way of transferring knowledge in the form of personal communication, but has the disadvantage of being very resource intense (Ilari, interview 25.11.2010). It became clear during the interviews in Finland that the MNC is attempting to minimize the use of expatriates, by increasing virtual meetings and communication, and shortening the periods abroad. The new way of sending expatriates seems to be more targeted to where support is needed, and also directed towards a specific customer and situation. In these cases I presume that teaching is the main point of the visit, and not the own learning as it can be when talking about longer assignments.

An issue that was raised by one of the senior vice presidents in Finland was the connection between motivation and knowledge sharing. Motivation is seen as a crucial factor considering the knowledge sharing within the MNC (Heikki, interview 12.11.2010). Here, it was the motivation of the sending unit that was mentioned. A threat of being replaced serves as an impediment to efficient knowledge transfer within the MNC. In Finland, knowledge transfer to foreign subsidiaries is emotionally mixed
up with the issue of moving production and business abroad, and consequently it creates resistance to sharing what one know (Heikki, interview 12.11.2010). Also the Finnish culture was presented as a barrier to knowledge transfer, together with competition between employees (Ilari, interview 2010). My conclusion of this is that the Finnish culture being very individualistic and “mind your own business”-oriented, does not work well together with knowledge sharing efforts.

A feature of knowledge that was mentioned by the Finnish respondents was the issue of not only enhancing the transfer of knowledge, but also the protection of it (Ilari, interview 2010, Jaana, interview 1.12.2010). Some of the respondents were concerned that if knowledge is transferred efficiently and regularly globally, there might be a lot of knowledge getting into the wrong hands. A lot of technical knowledge is of course protected by patents, but data safety is a problem that cannot be totally managed. Also the embedded knowledge, which is crucial for the business, is more challenging to protect. Consequently, this risk is creating barriers to the implementation of efficient knowledge transfer procedures.

5.2.2. Subsidiary view

Communication was a central topic when discussing the knowledge sharing on the individual level in the subsidiaries. Because of the relatively small size of the Portuguese subsidiaries, personal communication is used to transfer knowledge within the organization, in a very informal manner, very frequently. When asked about the communication tools the Portuguese Sales Manager doing a great deal of business in Africa presented the most essential methods for knowledge transfer.

Personal contact. E-mail and phone do not replace that. It (E-mail and phone) is only to support. (Afonso, interview 26.4.2010)

The respondents had different attitudes towards the use of virtual methods of communication. Several respondents regarded the instant messaging tool as unnecessary and unreliable. The main methods for writing messages to colleagues is the use of E-mails, and beside the personal contact and phone calls, it seemed to be a daily communication tool.

We have this program like instant messaging, but I do not like that. I need to have E-mails that I can print out. That (instant messaging) is informal. In my position I need to have things written. (Bruno, interview 26.4.2010)
However, another tool, called Interwise, evoked more positive attitudes, as a method of talking to international colleagues at a lower cost. Even though this communication method is available for everyone and perceived as useful, the use of Interwise had at this point of time to no remarkable extent replaced the use of phone in daily communication.

The communication and knowledge sharing within the organizations was expressed as very open, and there were no perceived barriers to communicate with persons on a higher level than oneself. Even the relatively new member of the organization, the Assistant Controller, concluded that one has the liberty to talk to anyone in the organization, regardless of position or topic. (Cristiano, interview 22.4.2010) This shows that there are little communication barriers for the members of the organization, sharing knowledge and thoughts on a daily basis with each other.

Also the access to new knowledge and information seemed to be very good within the MNC, including contacts to the headquarters. The respondents on management level in the Portuguese subsidiaries mentioned frequent contact and inquiries to the Finnish parent organization, mainly with predetermined contacts for specific questions.

...my main contact is in Tampere... He is the guy that I ask if I have a problem, because he always helps us without a problem. (Bruno, interview 26.4.2010)

In addition to the ease of asking questions of Finnish colleagues, the intranet accessed by all the members supports the approachability within the MNC. There are little impediments to gain new knowledge from colleagues both internally and externally, and the documentation provides the members with an internationally extensive knowledge network. However, local knowledge is locally developed in the subsidiary, and the Finnish organization is distant from the local context and its customers, which means that it is not always possible to get answers to you questions or general support from the headquarters.

...we would not ask the Finnish people to help. It’s really difficult. (Afonso, interview 26.4.2010)

This is from a case of a Portuguese manager having to deal with business mainly in Africa. Portuguese companies have a lot of business, factories and subsidiaries in Africa, which leads to this Sales Manager having a lot of Africa-based customers. His work requires frequent travelling to several countries in Africa, and this is something he is quite alone with in the MNC. The knowledge network considering doing business in Africa is limited to outside the MNC, and when there is a trouble with something, the
Sales Manager has to find a solution to this from personal experience or his personal knowledge network. In this sense the Portuguese subsidiary is very independent in some matters, and consequently relies on its own knowledge base.

Considering the communication flow and formal, organized communication, some doubts were raised by the members of the Portuguese subsidiaries. It became clear that there is no habit of communicating with each other through arranged meetings, mainly because of the inexistence of such occasions. Meetings are arranged in the subsidiary in a very infrequent manner. There is mainly only one formal meeting with an agenda per year, on special occasions there can be more (Duarte, interview 24.5.2010). Even though the openness of the knowledge sharing and the easy access to information were appreciated by the members in general, the lack of organized meetings was mentioned when discussing formal communication.

We do not have any formal way to pass information. I can discuss a matter when I have coffee with someone, and pass him the knowledge... Sometimes a guy has some knowledge that he has not shared with others, but it is not because he does not want to, we just do not have any formal way to pass knowledge. (Bruno, interview 26.4.2010)

It was expressed by one of the respondents that it would be good to have a formal meeting, not even weekly but maybe once a month, so that everyone could present their work situation at the moment and exchange ideas (Bruno, interview 26.4.2010). These meetings would facilitate a moment of intra organizational knowledge sharing, and force members to share their knowledge with each other and take part in a common problem solving activity. Hence, even though the openness and frequent informal communication was perceived as an advantage in the organizations, the lack of formal communication still affected the efficiency of knowledge sharing. It was not only one of the respondents that mentioned this; it was addressed indirectly by several of the members of the Portuguese subsidiary.

Another issue was raised regarding the situation that new knowledge enters the organization, which is when the knowledge transfer is inter-organizational. In these cases it was perceived that the communication is not as frequent and it might take some time until the knowledge reaches the lower levels of the organization.

I think the knowledge and guidelines reach the other persons (than CEO) a little bit late. (Cristiano, interview 22.4.2010)

Also a doubt whether all essential new information actually reaches the members of the Portuguese subsidiaries was addressed by the same respondent. This trait is connected to the priority of informal communication over formal communication in the...
organization. When informal communication is more frequent and there is a lack of organized meeting, it is not surprising that the members of an organization question the top-down knowledge flow, as well as acknowledge the probability of delays in the knowledge flow.

The knowledge network within the Portuguese subsidiaries is very extensive, especially considering the amount of technical know-how and local market knowledge. However, at a certain point the Portuguese managers do not have the power to negotiate terms and conditions with their customers, but have to turn to their Finnish colleagues for advice. Especially when it comes to pricing, as mentioned before, contact has to be made to the headquarters of the MNC.

The Finnish guy is our contact regarding prices. I am having several problems with this (pricing) because of the competition. But when I have big problems I ask them to come here, and they come. (Bruno, interview 26.4.2010)

This situation is also connected to training and development within the MNC. When the knowledge or power of the Portuguese employee reaches its limit, the Finnish parent organization serves as a support and knowledge provider. In many cases the Finnish organization sends an employee to the local context, in this case to Portugal, to together with the Portuguese employee work out a solution for the customer. This is sort of a targeted training in which the knowledge of the Finnish employee is transferred to the Portuguese subsidiary, through personal contact with one of the Portuguese employees. For example during the time for the interviews in Portugal, I discovered that a Finnish manager was coming over for a week, to meet with a customer and together with the Portuguese sales manager come up with a solution with that particular customer. I would interpret these kinds of short-term visits to serve as an efficient way of transferring context-specific knowledge, via personal communication.

The same goes for ideas for improvement within the subsidiary. Here, the freedom is greater for the subsidiary to implement changes and act independently as an organization. Everyone in the organization is allowed to come up with ideas for improvements, which are then developed within the subsidiary and approved by the CEO or country manager.

For example, we are having an idea of improved time management, because sometimes we lose time with subjects that do not matter. So I told him we need training on that, and he said okay. Now we are having training. (Bruno, interview 26.4.2010)
The Finnish organization is in general not involved in these kinds of improvements, and sometimes a change initiative might have to be reconsidered. There was a case when the new way of performing a certain task had come to the knowledge of the Finnish organization, and not got approved of. This resulted in a change back to the previous procedure for that task, supervised by the Finnish organization. (Cristiano, interview 22.4.2010) This change initiative took place in the Financial department, which of course is managed with closer supervision and less room for own change initiatives.

When it comes to training for new procedures, systems or products, the most common location is the headquarters (Eva, interview 24.5.2010). During the time for the interviews there was a system change in the financial department, which also delayed some of the interviews. However, this was an interesting topic that described the implementation of new procedures in one of the Portuguese subsidiaries. The training this time was located in Helsinki, and the respondents had spent three days there for the training. In smaller changes or updates the training is managed virtually, via either Interwise or electronic material. The training in Helsinki is intended to teach key persons the new system. These persons are then responsible for the local training at each subsidiary. When the system change is of greater size or importance, Finnish specialists are sent to the subsidiaries to handle the implementation and training there. During the training in Helsinki it was only the new systems that was presented, there was also a customer data gathering project included in the same program (Eva, interview 24.5.2010). This shows that the MNC is efficient in its use of international trainings and assignments, and that there is an effort to build a clearer database, supporting the cooperation between subsidiary units.

The importance of protection of intellectual capital as well as technological knowledge was presented by some respondents. The importance of technical knowledge as a critical capability was evident in the way it is handled in the subsidiary, and some actions in the past were carried though to increase the protection and data safety.

It is very important that our server is protected... Last year they wanted us to put our CD-ROMs with the server data in a specific safe...on a specific place. (Cristiano, interview 22.4.2010)

All in all, the knowledge flow within the subsidiary proved to be frequent, personal and informal, reflected by the openness of the organization. The knowledge transfer between the subsidiary and the parent organization seemed to be very targeted, but nevertheless continuous and personal to its nature. The respondents considered the
Portuguese organizations to have the independency to develop new knowledge and effect local adoptions to guidelines provided by the MNC.

When asked about the personal network for knowledge sharing, the respondents provided very similar pictures of their knowledge networks. It was obvious that the members of one’s own department also were the ones with whom the knowledge sharing was occurring most frequently. These were all placed on the same level on the otherwise very hierarchically structured mind maps. On the top of the pictures were the CEO, or in the cases that the respondent was a manager, the HQ and Finnish manager above the Portuguese CEO. Interestingly, the maps included many local contacts apart from members of the subsidiaries, and also other international contacts than Finnish ones, like colleagues in France and Spain.

All together, the mind maps confirmed the openness of the knowledge sharing network within the Portuguese subsidiaries. Also the contact to other units was presented as frequent, although more targeted at specific inquiries and problems. The hierarchical structure shows that the organization is traditional considering its authoritarian relations and values.

5.3. **Parent-subsidiary relationship**

The relationship between the subsidiaries and the headquarter was interpreted partly indirectly, via the subsidiary’s view of the parent organization, but also directly, via the headquarter description of subsidiary roles in the MNC. The definition of clear subsidiary roles is complicated because of some contrasting views. The subsidiary view of the parent on the other hand was described in a similar manner by most subsidiary respondents.

5.3.1. **Headquarter view**

The subsidiary roles within the MNC vary a lot, depending on for example the growth on the local market. In general, according to the SVP in strategic development, the subsidiaries of the MNC have a role as local producers and technical product specialists (Ilari, interview 25.11.2010). The headquarters on the other hand have the role of providing technical knowledge and training for the subsidiaries. Also, when considering more mature markets like Portugal, compared to emerging and growing markets like
China and Brazil, there are different strategies for these two contrary contexts, depending on the type of the market. (Heikki, interview 12.11.2010).

During the interviews at the headquarters, contradictory thoughts were found about the direction of knowledge flows from subsidiaries. This is a matter that increases the importance of the topic, because such views would be expected to align on the management level. One of the respondents concluded that knowledge transfer occurs with few exceptions outwards from the headquarters, to the other units of the organization, and therefore the knowledge inflow to the subsidiaries is on a much higher level than the outflow. Another of the respondents presented a view that supports the idea of subsidiaries starting at a point where knowledge inflows are more frequent, and then shifting towards a higher level of outflows.

The first view was presented by Jaana (interview 1.12.2010), the SVP within HR. According to this view, at the beginning of new relationships, which usually take the form of an acquisition, knowledge is transferred from the subsidiary to other parts of the MNC. This is when the MNC gets involved with the new subsidiary and its business. The MNC has to learn about the local market and the customers, and therefore the level of knowledge outflow is eminent. As the relationship develops, the knowledge outflow from the subsidiary gradually decreases, and is replaced by knowledge inflow, in the form of organizational culture, practices and systems. This is a traditional view that dominates many parent-subsidiary relationships, where the subsidiary has the role of a local implementer (Ordóñez de Pablos 2006). Interestingly, it was also pointed out by this respondent that they do not usually call subsidiaries of the MNC subsidiaries, but instead use the word unit, indicating a decentralisation of power between parent and subsidiaries (Jaana, interview 1.12.2010).

The opposite view was presented by Heikki, the SVP within production. He described the knowledge sharing relationship as more aimed at knowledge inflow in the beginning, where the subsidiaries receive new knowledge from the headquarters about procedures, systems, values and culture (Heikki, interview 12.11.2010). At the point when the subsidiary is up and running, the role if outflow is in turn emphasized. The parent company expects continuous communication, with updates and feedback on quality issues, and customer and supplier information. When the respondent pictured this procedure, it was the subsidiary’s local contacts that initialized and shaped the knowledge outflow. This local knowledge is one of the reasons for acquiring units
internationally, and therefore it is natural that knowledge about this is transferred to the parent company on a continuous basis.

These contradictory views can be a result of different time-frames, different conceptions of knowledge, or even the different functions that the respondents work within. Even though, it is interesting that the issue raised thoughts, and it showed that knowledge transfer is in fact a relevant issue at the MNC. The difference can also be a result of different subsidiaries having different roles within the MNC, and thus the SVP having experience of subsidiaries with different strategic roles. Regardless of the reason for the difference, it raised an important question.

Many of the Finnish managers recognized the lack of knowledge outflow as a challenge that the MNC is facing when acting on a global market, with new economies getting more important. There is a need for receiving impulses from the rest of the world, for example from South America and China (Ilari, interview 25.11.2010). China was mentioned in several interviews as a challenge when it comes to knowledge transfer. The way business is done is very different in China than it is in the rest of the world, especially in Finland, and therefore the Finnish knowledge has to be adapted to the local market. Customer service and ongoing relationship management is essential to the industrial services sector, where everything works on a long-term basis. It is necessary to listen to and understand the local actors, not only customers, but suppliers and government as well. In this case local procedures and culture might be more suitable than the ones developed by the MNC in Finland, and at the moment these needs are being neglected (Ilari, interview 25.11.2010). Finland has traditionally had the role of developing technical know-how, but as the world is changing, also this role is changing (Ilari, interview 25.11.2010). Some markets that are growing significantly are becoming more important for the MNC, and therefore the subsidiaries in these markets will get a more central role strategically. As it is today, the role of the Finnish organization appears to be emphasized globally. The choice between a HQ that serves as a provider of knowledge, and a balanced knowledge flow within the MNC, is currently discussed at the MNC, and Ilari, the SVP in strategic development, recognized a need to shape the current top down relationship towards a more balanced organization.

There is also an issue with trust when talking about knowledge transfer, which became clear during the interviews with the HR managers. This issue varies depending on the location of subsidiaries and the local environment. The MNC is concerned that if
knowledge is shared with anyone in the local companies on the competitive and fast Chinese market, knowledge may get into wrong hand and be sold to or stolen by competitors.

5.3.2. Subsidiary view

The structure of the MNC determines the relationships to its subsidiaries, widely globally dispersed. It is a quite centralized organization, with a clear hierarchy and determined contact networks. The general view is that the Portuguese subsidiaries are quite independent to make their own decisions and improvements. However, when asked about the relationship to the parent organization, some respondents questioned the actual level of independency.

In some things we don’t have too much liberty to do things we don’t usually do in Portugal. (Cristiano, interview 22.4.2010)

This doubt shows that the subsidiary is not autonomous to act according to its own interests. The reasons for this are clear when considering the size of the organization, which is expressed by another of the respondents.

This is a very good organization, but it is too heavy. If you need to change something – problem. (Afonso, interview 26.4.2010)

Even though the organization is clear to its structure, the size seems to create a kind of confusion, which might explain the inability to get through with change initiatives and ideas for improvement. The contact network of the subsidiary employees is limited to their tasks. For each subtask there are predetermined contact persons to ask when there is some kind of problem or inquiry (Eva, interview 24.5.2010). However, apart from these contacts, the headquarters remain quite distant and unknown for the employees of the Portuguese subsidiaries.

A small subsidiary has a limited opportunity to affect such a sizeable MNC, and this seems to be accepted among the employees of the subsidiary. The size of the MNC determines the role of the subsidiary to a great extent, as well as the relationship to the headquarters. This relationship has implications on the knowledge transfer both to the subsidiary and from the subsidiary to the rest of the MNC.
5.4. Culture

The subsidiary respondents were very colorful in their description of the MNC organizational culture, as well as when giving their picture of the Finnish culture. The interviews in Finland provided an overview of both the organizational culture at the MNC, and a description of how intra-organizational cultural diversity is handled.

5.4.1. Headquarter view

Nordic values of straightforwardness and respect dominate the organizational culture of the MNC (Mikko). It dictates the way of doing business within the company and with its stakeholders. The Finnish SVP of Production stated that values and norms are implemented, managed and developed top down in the organization, which speaks for a centralization of power in the globally dispersed MNC (Jari). The global culture is based on the basic values of integrity and trustworthiness, with some adoptions to local contexts (Jari). These adoptions are accepted and required because of the importance of local customers. The local employees work as experts of the local cultures and ways of doing business, which is applied in both knowledge inflows and outflows from the subsidiaries.

As mentioned in the knowledge transfer part, the Finnish culture is creating a challenge to the knowledge transfer within the MNC. The Finnish respondents acknowledged difficulties in trusting foreign cultures and people, adapting oneself to the global environment, and understanding other people and values. This feature is of great importance when considering the knowledge sharing within the MNC, and creating a facilitating organizational culture. If the Finnish mentality is working against the goals for knowledge sharing, knowledge transfer will ultimately not occur. There is a pressure on creating a common understanding for the importance of MNC knowledge sharing, and that it requires a trust between the units of the MNC.

The organizational culture is to a great extent characterized by strong core values, with a clear strategic direction and organizational goals (Jaana)). There seems to be a commonly accepted culture that emphasizes the “MNC-way” of doing things, even on a global scale (Jari). These core values are seen to be recognized by employees of the MNC globally.

We have this one MNC-way, in which we want to serve our customers and do business in general. (Heikki, interview 12.11.2010)
This point was made by the SVP of Production, when he was asked about the critical success factors, which highlights how strong the corporate culture is at the MNC. There is a strong sense of how business should be done. Despite some local adoptions that of course are accepted, there are some basic values and guidelines that are expected to be followed worldwide in the MNC. It also implies that employees of the MNC are treated the same way, without any kind of discrimination. The customers are expected to get the same level of service wherever around the world they place an order (Heikki, interview 12.11.2010).

As said by the SVP in Production, the MNC has a strong global company culture, in which new members are easily involved. The problem is when new companies are acquired into the MNC, and the old employees of these companies have to be involved in the strong global culture. These units usually have a longer period of transition, before the company culture is introduced. However, the ultimate goal is to involve all units of the MNC in the common organizational culture.

### 5.4.2. Subsidiary view

The Portuguese culture was subject for an ethnographic observation during the spring, spent by the author in Portugal as student and researcher. When conducting the interviews in the Portuguese organization, some general observations were already done, which facilitated a more open discussion about the specific case of the subsidiary, and what the perception of the Finnish culture there was. Indeed, cultural differences were an interesting and involving topic when conducting the subsidiary interviews.

The MNC thinks more like the people in northern Europe. (Cristiano, interview 22.4.2010)

During all of the interviews it was expressed that the MNC works according to the Finnish, alternatively Nordic, culture, and that this is something that has to be accepted regardless of national cultures. The organizational culture was described as straightforward, structured and formal, and the general view was that it is very well and efficiently working. Many of the respondents were very incorporated in the organizational culture, but could however point out the differences to the local way of doing business.

Time management was, as suspected, a topic that most of the respondents started the answer to the question about cultural differences with. A citation which presents a very
colorful but practical example of the Portuguese perception of the Finnish culture is as follows:

If you ask for a delivery of a machine, the Finnish say it’s 20 days, and it is 20 days. The French say it’s 20 days, but it is 22 days. The Portuguese and Spanish say it’s 20 days, but it is in fact 24 days. (Afonso, interview 26.4.2010)

It is particularly interesting that these words come from a Portuguese employee, fully aware of the southern European mentality. When discussing cultural differences with the respondents of the Portuguese subsidiary, it became clear that the fact that they are part of a Finnish multinational has made them realize the local culture and the challenges the Finnish are facing in it, even though they identify themselves with the local mentality. Many of the respondents appreciated the northern European efficient and accurate time management. The quick answer to inquiries, and subsequent action, where in many cases presented as a benefit of working in the Finnish MNC. The problematic consequence of the differences in the concept of time turned out to be the fact that customers and other local stakeholders act according to southern European norm. This means that the employees of the Portuguese subsidiary often conciliates as an intermediary between the MNC and the customers, which can be quite a challenge. Part of the Finnish accurate time management is also impatience with delays, and this sometimes results in the Portuguese subsidiaries finding themselves in problematic situations. The strict deadlines cause problems also in the Portuguese subsidiary. When interviewing the Assistant Controller he had just received an E-mail with a new pricing for some task. The deadline for the change was almost 2 months in the future, and the respondent explained that it at the moment feels like a distant date, but that it will approach too quick and lead to a lot of pressure. He expressed that the schedule is too tight on the Portuguese subsidiary, but that the Finnish are very straight with their deadlines and there is no room for rescheduling (Cristiano, interview 22.4.2010).

Another very different implication of the example with the machine delivery is the differences in problem solving between the European cultures.

But, if there are problems, the Portuguese still say it’s 24 days. The French now say maybe it’s 24 days. However, the Finnish say “Sorry, I don’t know when”. If something is wrong, it is better to work with the Portuguese. It is very difficult with Finnish. (Afonso, interview 26.4.2010)

This shows the flexibility of the time management in Portugal, which is more open for last minute changes and problematic situations. When something goes wrong, it is no problem to work out a new solution and a new deadline, which is not the case when it comes to the Finnish organization. The Finnish organization is stuck with the initial
deadline, and when the delay occurs the situation becomes chaotic and unmanageable for everyone involved.

Another issue that the Portuguese respondents expressed about the Finnish way of doing business was the use of guidelines.

In the financial and accounting department we have many guidelines. We need to monthly and quarterly do some reports to Finland, and those reports are big and extensive reports to Finland. They have too many guidelines... sometimes we forget some points. It's complicated. (Cristiano, interview 22.4.2010)

This shows the different way of organizing work in the two organizations. The Portuguese subsidiaries are very small to their size and informal to their nature, and therefore management is personal and context specific. The Finnish organization has to keep track on a worldwide organization, and the current way of doing this is through detailed instructions for all kind of procedures. These guidelines have to be followed by each of the subsidiaries to keep the whole organization on track. The guidelines per se, are not a problem in the Portuguese subsidiary, it is the involvement of local actors in the process.

In Portugal if you tell them “you need to do this like the guidelines say”, they do it the first time. The second time, they forget. (Cristiano, interview 22.4.2010)

To be able to follow the guidelines provided by the Finnish parent organization, the Portuguese subsidiaries have to involve their stakeholders in the process and supervise that they follow each point. This turned out to be the challenge that the Portuguese employees have to cope with. Here, local adoptions are required to be able to maintain good relations, but still the parent organizations requirements have to be fulfilled at each department. There seems to be a Portuguese stubbornness that further increases the challenge. Especially the respondent from the financial department has to act as a translator and intermediate between the Sales people and the requirements for reporting. The Salesmen are used to their way of doing things at the subsidiary, and when changes are requested by the financial department, it usually takes some effort before they actually turn into action. (Cristiano, interview 22.4.2010)

5.5. Summary

The data collection process within this thesis resulted in two distinct views on the same process and organization. The individual view, represented by the respondents of the two subsidiaries in Portugal, provided a picture of the actual knowledge sharing processes in the MNC, from a subsidiary perspective. The organizational view was
represented by the respondents on top management level at the headquarters in Helsinki and Tampere respectively. Many of the points made by headquarter respondents were visible in the Portuguese subsidiaries, but also some contradictions were found.

The importance of technological knowledge was apparent in every single interview, and consequently it can be seen to shape the needs and processes for MNC knowledge sharing. Combined with the importance of service business and customer relationships, a distinction between two types of knowledge was made. The technological knowledge is explicit to its nature, and the service related knowledge is to a great extent tacit. Technology is transferred through IT and formal training, and because of its high priority it is well managed. The challenge is to transfer service related knowledge, and this was exemplified by the Portuguese Sales manager describing the Finnish involvement in customer relationships. It is very difficult to handle the tacit knowledge concerning customer relations, because on the one hand it is handled locally according to local norms, but on the other hand it should be managed somehow by the MNC according to a global standard.

The knowledge sharing inside the subsidiaries turned out to be informal and frequent, while the knowledge transfer to and from the MNC is formal and organized to its nature. The headquarter view is that knowledge transfer in the MNC in general is formal and structured to its nature. This could be seen as an indicator of the subsidiaries acting quite independently, and planning their own intra-organizational knowledge transfer patterns. The contradiction occurs when this has to be combined with the MNC knowledge transfer, because this in turn is formally structured. Thus, formal procedures in each subsidiary would be needed to support the MNC knowledge sharing. For example, the use of projects that was mentioned by several headquarter respondents was not visible in the subsidiary.

Clearly, the Portuguese subsidiaries seem to have the roles of local producers and technological specialist within the MNC, when listening to the subsidiary respondents. The contradicting views in the headquarters raise a doubt of where the MNC is heading. Although a lack of a general, official knowledge transfer strategy, the issue has received increasing interest within the HQ, and the respondents had strong opinions on the way knowledge sharing is handled at the moment, and which direction it should take in the future. At the moment the MNC is mostly transferring knowledge to its subsidiaries, in the form of training, new products, and answers to inquiries. As presented by several
of the Finnish respondents, there is a need to change the general view of knowledge transfer into a more dynamic process, forcing the MNC to collect impulses and knowledge from its distant parts around the world.

The general picture of the parent organization is that it acts according to Nordic values, exemplified by the hierarchical feature, the efficient time management, and the application of guidelines. The differences in time frames and problem solving were brought up by the Portuguese respondents as the most apparent cultural differences, creating challenges for the Portuguese employees. All in all, the MNC is very top-down managed, and this shapes the organizational knowledge transfer.
6 EMPIRICAL ANALYSIS

This part of the thesis presents an analytical interpretation of the collected data, based on the theoretical framework and previous research. As presented in the methodological part, the four parts of the social perspective will serve as alternate templates to analyze the process of knowledge sharing within the MNC. The analysis will therefore consist of four parts, power and politics, cognitive capacities, organizational perspective and cultural factors (Zaidman & Brock 2009). These parts together form a picture of the knowledge sharing process in the MNC that is the subject of this case study.

6.1. Power and politics

The political perspective has several implications on how knowledge is transferred between the subsidiary and the HQ, as well as between the members of the organizations. While competition was not observed to affect the knowledge sharing behaviors, mainly because of the lack of it, many of the other factors, like power and commitment, turned out to influence the process significantly.

The informal communication and knowledge sharing within the Portuguese subsidiaries is a sign of the existing motivation for knowledge sharing within the organization, and the benefit of such informal networks. Because of the openness of the organization, the members are more motivated to participate in knowledge sharing activities, within their social networks. Especially considering that the own initiative is a crucial motivational factor (Lucas & Oglivie 2006), the openness of the organization to each member is important. The social networks served as a proof for active knowledge sharing within the Portuguese subsidiary.

However, individuals also have to identify their own critical knowledge to be able to share it efficiently (Hutchings & Michailova 2004), and this one of the respondents expressed to be an issue when asked about the knowledge sharing within the Portuguese subsidiaries. Even though the motivation to share knowledge exists, it will not be truly useful unless the organization members identify all the knowledge they need to share. It was shown through the interviews in Portugal that informal networks and communication is essential to knowledge sharing, but it should be supported by formal methods for knowledge sharing for each employee to realize which knowledge is
essential to share with his or her colleagues. Only this way the knowledge transfer can be managed and ensured to be efficient.

The fact that commitment to the division rather than to the greater organization might serve as a barrier to knowledge transfer (Burgess 2005) has to be considered when it comes to the case of the MNC. When asked about knowledge transfer activities, the members of the Portuguese subsidiaries in fact mainly recognized intra-organizational activities, and interests. There appears to be a lack in the commitment towards the MNC, in comparison to the subsidiary itself. This subsidiary commitment indicates that interests are mainly directed towards improving subsidiary performance, and therefore the motivation to involve the rest of the MNC, and the headquarters, is not sufficient to realize inter-organizational knowledge transfer. Consequently, the commitment towards the subsidiary will risk that the subsidiary knowledge ever reaches higher levels within the MNC. This is something that requires instructions and guidelines considering knowledge transfer activities. If there is no significant interest to transfer knowledge back to the headquarters from the subsidiary, these kinds of actions has to be incentivized. Unless there is no incentive to share critical knowledge with other units of the MNC, the knowledge, however central, will not reach any part outside the subsidiary. In the case of the Portuguese subsidiaries, inter-organizational knowledge sharing was not recognized by the subsidiary employees as beneficial for the organization, as well as not for the individual. Knowledge transfer was regarded to be an activity between organization members, targeted at specific situations or alternatively problem solving in general.

The use of knowledge as a power tool in the organization was mainly found in the headquarters of the MNC. The way one of the respondents expressed that the Finnish culture in combination with a threat of sharing one’s knowledge and thereby becoming replaceable, was a palpable sign of the challenges the MNC is facing in its effort to encourage knowledge sharing. When the unit that is more powerful acknowledges a threat of becoming replaced by foreign operations, the implications for MNC knowledge sharing is apparent. In fact, the headquarters of the MNC was from both sides described as powerful in leading the way of the MNC, without taking too much influences and impulses from its distant subsidiaries. This is connected to the perceived value of the subsidiaries’ knowledge stock, which is too low to facilitate a two way knowledge transfer.
6.2. Cognitive capacities

The absorptive capacity of the subsidiary is decisive in its ability to transfer knowledge, in both directions. The absorptive capacity of the Portuguese subsidiaries could be determined through their ability to accept external knowledge. The fact that the members of the subsidiary are used to the continuous knowledge flow from the headquarters, and the implementation of it, shows that they accept this new knowledge and appreciate change efforts and updates from this direction. There is a recognition as the MNC knowledge as valuable knowledge for the subsidiary, because this shows the future direction of the subsidiary.

The absorptive capacity of the subsidiary is to a great extent connected to the technological expertise of the MNC business. Technological knowledge is connected to frequent updates and developments towards new technology. The respondents in the Portuguese subsidiaries, as well as the Finnish managers, emphasized the role of this type of knowledge for company performance. It is clear that absorptive capacity is positively related to interest and engagement, and therefore is higher when the interest and willingness to engage in new knowledge is on a high level. As a technology intense company, many of the factors influencing knowledge sharing is connected to this. There is an engagement present that leads to a high probability of critical knowledge being widely dispersed in the organization.

When it comes to other types of knowledge, the situation is perceived as a bit different. The focus on technical knowledge indicates that when it comes to other types of knowledge, the absorptive capacity might be on a much lower level, mainly because there is not room for everything to be top priority. Many of the respondents, especially in the Portuguese subsidiary, were totally focused on technical knowledge and had difficulties describing transfer processes for other types of knowledge. This is a risk connected to the technology industry, which was presented by the President of segment C. When the focus is to such a great extent on technological expertise, other types of knowledge become secondary.

Another aspect of the cognitive perspective is the risk of causal ambiguity restraining knowledge transfer. The Portuguese subsidiaries hold a significant amount of local knowledge, which is embedded in routines and contexts. This knowledge is central to the local business, and therefore its most important feature is to be available to the members of the Portuguese organizations. A great part of this kind of local knowledge
is tacit to its nature. It is embedded in the routines of the Portuguese organization, and specific to that context. It is customer related knowledge and knowledge about other local stakeholders, which is crucial to doing business in Portugal. This knowledge is very rooted in the organization and its members, and it is a challenge to transfer to other parts of the MNC. However, this does not mean that it would not be useful for other units. When discussing the issue of reverse knowledge transfer at the headquarters, there seemed to be a lack of initiative to transfer embedded, local knowledge back from distant units of the MNC. Considering the case in Portugal, where the market is quite mature and the company has a long presence in the country, the causal ambiguity did not appear to create substantial knowledge loss for the MNC. However, when the case is a subsidiary of an emerging market like for example China, causal ambiguity will serve as a serious barrier to reverse knowledge transfer, which in this case is very crucial for the MNC.

6.3. Cultural factors

The cultural perspective provides insights on the specific case of the Portuguese versus Finnish context, but the same perspective can be used to analyze any other pair of cultures. This point of view articulates the cultural dimensions that influence the knowledge transfer between the Portuguese subsidiary and Finnish parent company.

According to Hofstede’s cultural dimensions the power distance is considerably higher in Portugal than it is in Finland. This was a general note made by the researcher when observing the local culture. In the subsidiaries the power distance was expressed through a respect for authority and the perceived distance to the headquarters of the MNC. The power and authority of the Finnish organization was described to dominate the business of the MNC, but it was not expressed with dissatisfaction but as a general truth. Considering that the power distance is on a lower level in the culture of the headquarters, the implications on knowledge transfer have to be discussed. If the MNC acts according to Finnish culture, the barriers to knowledge transfer that exists in cultures with high power distance will not be managed. The Portuguese employees were very clear in their view that they follow the directions provided by the Finnish parent organization. The Finnish respondents on the other hand described the company’s knowledge sharing strategy as based on open communication. If there is no one from the HQ providing the subsidiaries with knowledge sharing instructions, knowledge transfer across borders will probably not occur.
The collectivistic culture in Portugal facilitates the informal knowledge sharing within the subsidiary, in a way that would probably not be possible in a very individualistic context. The level of individualism is high in Finland, which means that people express and stand for their own personal opinions within an organization. Also here the contradictory situations were observable in respective organization. Even though collectivism is a dimension that increases knowledge sharing and social interaction within an organization, it might serve as an impediment to the creation of new knowledge as well as knowledge sharing with people outside the organization.

Femininity has been presented as a trait that is positively related to knowledge sharing activity. This is the only dimension where the countries of the case study correlate. The level of femininity is high in both countries, which signifies a similar view on knowledge sharing. On the intra-organizational level I would say that this was a very established attitude. The Portuguese organization members showed no resistance to knowledge sharing with each other, and the Finnish managers were positive about such activities in the MNC. There seemed to be a general positive attitude towards knowledge sharing, but when it comes to the realization the feministic trait is not as enabling. Femininity can be regarded as a factor that influences a knowledge sharing culture in a positive way, but per se lacks the enabling factors that turned out to be important in the case of knowledge transfer between organizations.

Uncertainty avoidance is high in Portugal, but so is the power distance. This means that the uncertainty avoidance might not act as a barrier to knowledge sharing, because employees in fact need management support for knowledge sharing (Rivera-Vazquez, Ortiz-Fournier & Flores 2009). Therefore the stricter rules connected to high uncertainty avoidance does not act as barriers to knowledge transfer. Within one of the interviews in Portugal it was proposed by the respondent that a formal knowledge sharing structure would be needed to encourage organization members to share knowledge. Without any structured occasions the Portuguese subsidiary members do not perceive that they should engage in further knowledge sharing. This is a feature of the Portuguese culture that is not acknowledged in the parent organization, located in the Finnish culture characterized by low levels of uncertainty avoidance. Therefore no guidelines for formal communication and knowledge sharing procedures are implemented in the Portuguese subsidiaries, even though this would be highly appreciated.
6.4. Organizational perspective

The organizational perspective is a way of analyzing the knowledge transfer process that takes into account the organizational characteristics of the MNC. The climate, culture, social networks, management support and communication patterns of the organization are taken into account within this point of view.

The “MNC-way” of doing things is an obvious reference of the strong values that underpin the organizational climate. There is a common sense of how business should be done in the MNC, this was presented both in interviews in Portugal and Finland. The core values are based on integrity and honesty and customer focus. Having these strong values is a way of establishing a strong organizational culture, which is a prerequisite for successful knowledge transfer within a MNC (Lucas & Oglivie 2006). Following the view that the global business environment shapes the business of the MNC, the organizational culture has the role of enabling the MNC to act on the global marketplace. The presence of a clear direction facilitates knowledge sharing in the way that it clarifies which type of knowledge is important, and consequently crucial to transfer.

The values on their own do not create the knowledge sharing process, there are other factors influencing the knowledge flow that depend on the organizational structure. Social networks are enabling in the way that they create personal communication between members in an organization, also across borders. The social networks facilitate to some extent the cross border transfer of tacit knowledge, which is one of the most important parts of the MNC knowledge transfer process. Especially the Finnish respondents emphasized their international contacts and colleagues, being a part of the daily interaction pattern. Also the Portuguese respondents expressed the value of having frequent contact with international colleagues, in this case with subsidiaries in neighboring countries like Spain and France. One could draw the conclusion here that especially between subsidiaries, social networks are the main source for knowledge sharing within the MNC. The power distance to the headquarters acts as a barrier to informal knowledge transfer, and therefore limits the active social networks spanning from the subsidiaries to the parent organization. These contacts are mainly predetermined and directed to specific inquiries from both sides.

Formal cross-border communication is important when it comes to codified communication (Ford & Chan 2009), and as was presented before, social networks are
mainly limited to knowledge transfer through personal communication. Knowledge transfer, in the forms of codified communication and embodied transfer, is indeed very structured within the MNC. The transfer of this kind of knowledge is mainly directed from the headquarters of the MNC towards the subsidiaries. The knowledge is transferred in the forms of product updates and entirely new products and services, and as new guidelines for performing tasks in a different way. Technology is quite invariably transferred in the forms of more codified communication, this mainly because of the possibility to codify the kind of knowledge. When it comes to service and customer knowledge the MNC is facing a greater challenge in actually transferring knowledge, in both directions. Personal communication is not enough to alone stand for all transfer of this other type of knowledge, which is usually softer to its nature, and to a great extent tacit. The transfer of this knowledge very crucial to the business, is at the moment through personal communication. Codified communication would work as a support to this, enabling more efficient knowledge transfer, requiring an externalization of knowledge.

An important facilitating factor connected to formal knowledge transfer is management support (Rivera-Vazquez, Ortiz-Fournier & Flores 2009). This is connected to the power distance in the specific case of the Portuguese subsidiaries. To encourage cross-border communication and increase the level of knowledge sharing, both within the subsidiaries and to the rest of the MNC, extensive management support would be required. At the moment the knowledge transfer is handled only through personal communication, which is a very good way of transferring tacit knowledge, but has its limitations in efficiency and formality.

The relationship between the parent organization in Finland and its subsidiary units around the world is a determinate factor for the knowledge transfer within the MNC. Because it turned out that the MNC is currently transferring knowledge mainly in a one-way direction, to its subsidiaries, these units are regarded to be local implementers of the MNC knowledge. If the MNC intends to change the direction of the knowledge transfer in the future, and be able to receive knowledge and impulses from the global market, the role of the subsidiaries has to be reshaped into another fashion. As long as the MNC units regard themselves to be lead by the parent organization and not through interaction, knowledge will not be transferred in the reverse direction.
6.5. A social perspective

Based on the analysis from each perspective, a summarizing framework of the influencing factors can be developed based on the results, pictured in Figure 7 - A social perspective.

Within the data analysis through the political perspective, the main influences were interpreted as power and commitment. Commitment is important because it determines the motivation to transfer knowledge. When the members of a MNC are more committed to the subsidiary than the MNC as a whole, knowledge transfer will have a lower probability to reach the higher levels of the organization. The use of power is in general negatively related to knowledge sharing, especially when it is connected to a threat of being replaced, individually but also on an organizational level. Power is however difficult to eliminate, and therefore the only option is to take it into account when implementing knowledge transfer processes.

When considering the cognitive capacities of an organization, causal ambiguity and absorptive capacity were in line with previous research concluded to influence the transfer process the most. The case being a technological company, the absorptive capacity within the subsidiaries was mainly directed towards technological knowledge. The challenge here is to increase the absorptive capacity for other types of knowledge, which is achieved through common values and goals. The causal ambiguity will always be present in knowledge transfer, because of the dimensions of knowledge. The key to knowledge transfer here is to identify critical knowledge in the local context.

The cultural perspective showed that power distance can create barriers to knowledge transfer, while femininity is a trait that creates the right climate for knowledge transfer. The most important implication of the cultural perspective is however, that differences on the dimensions are likely to create the greatest challenges for knowledge transfer, because of difficulties to understand features of other cultures at the headquarters. For example the difference in collectivism versus individualism was in this specific case a negative influence on the MNC knowledge transfer.

The organizational point of view is maybe the most important one, because through an analysis of the organization the other perspectives can be managed. To support the knowledge transfer within a MNC, a strong supportive culture is a prerequisite, and social networks and management support serve as enabling factors. The subsidiary roles were proven to determine the knowledge transfer frequency and activity between
parent organization and subsidiaries. When subsidiaries act as local implementers the reverse knowledge transfer is practically inexistent.

The negative influencing factors are manageable and possible to turn into positive influences, when appropriately managed and taken into account when planning and implementing the knowledge transfer process.

**Figure 7 - A social perspective**
7 DISCUSSION

The last part of the research process, includes a theoretical conclusion on the analysis, as well as a discussion of the work done as a researcher. Finally, suggestions for further research will be presented to show the general direction of research on the field, and which parts could not be researched within the scope of this study.

7.1. Conclusion

The main purpose with this study was to explain the processes for knowledge transfer and implementation in subsidiaries of multinational corporations using a social perspective. The research questions were formulated to find the processes for knowledge transfer, as well as the most important influencing factors. The social perspective was developed based on a definition of a culture context approach presented by Zaidman and Brock in their recent study (2009). According to this perspective, the social aspect of knowledge transfer was taken into consideration within the research.

The specific process to be examined was the situation of implementing local HQ knowledge in the subsidiary, with respect to its context and culture. This process was investigated through a case study of a Finnish MNC in the industrial goods and services sector, and its two subsidiaries in Portugal. The case study provided a fruitful explanation of how the knowledge transfer process is handled in a MNC, and how different cultures and other characteristics affect the outcomes. Following this result, the examination of a MNC with foreign subsidiaries around the world indeed provided a picture of how the company in question deals with the intra-organizational cultural diversity and knowledge transfer globally.

The focus of the research was placed on the subsidiary view on the phenomenon, where also the role of the individual was explored. The subsidiary point of view was accomplished through the unique structure of the data collection process. The interviews in the subsidiaries were conducted before the ones in the home country of the MNC, which means that the risk of being biased by idealistic management opinions was eliminated. Consequently, the respondents from the Portuguese subsidiaries of the Finnish MNC provided the initial view on how knowledge transfer is managed in the MNC. Also the individual patterns of each respondent were described to gain a thorough picture of the process.
Ultimately, the contribution of this study is the unique, but universal, framework for analyzing the knowledge transfer process within a multinational corporation. The tool that was developed was a framework consisting of each of the perspectives within the comprehensive social perspective. The political perspective includes the concepts of power, motivation and competition, while the cognitive perspective concerns the capacity to absorb knowledge and identify critical knowledge. The cultural perspective takes into account the different national cultures involved in the process, which can be defined with the help of Hofstede's dimensions. Finally, the organizational perspective concerns the structure, culture and management within the MNC.

These four perspectives together helped answer the research questions of the study, and can be used for similar purposes on other multinational organization. Next, a brief conclusion of the findings in the case study will be presented.

RQ1: What kind of processes does the organization have to transfer organizational knowledge to another national context?

The knowledge dimensions determine the aim and methods for knowledge transfer within an organization. In the MNC the most significant dimensions are the ones of technological knowledge versus service knowledge, which corresponds to a distinction between explicit knowledge and tacit knowledge. These different types of knowledge require different types of transfer methods, including training, communication and development. It is important to note that the distinction between different types of knowledge depends on the business of the company. Because the MNC of the case study is a technology intense company, the natural distinction is between the top prioritized technology, and other capabilities. In the case of a company, the most critical knowledge might be something else, and this changes the foundations for knowledge transfer.

Organizational knowledge transfer can be regarded as a knowledge spiral evolving upwards through the levels of the organization, as an interaction between tacit and explicit knowledge. The main methods for actual knowledge transfer both within an organization, and between different units of the same MNC are personal communication, codified communication, and embodied transfer. Indeed, examples of all types of knowledge transfer methods were found in the case study. The subsidiary knowledge transfer however consisted of mostly personal communication, which led to the existence of an informal knowledge sharing network within the organizations. Here,
other types of knowledge transfer would supplement the knowledge transfer spiral through a more complete knowledge spiral, where the internalization and externalization of knowledge are secured. This would be especially important considering the formality of the knowledge transfer between the headquarters and the subsidiaries, taking the forms of codified communication and embodied transfer via training and new technology and products.

The role of social networks is evident for the knowledge transfer process, both based on previous research and the data collection in Portugal. Informal networks are the basis for personal communication, and intra organizational knowledge transfer is facilitated through this. Tacit knowledge is efficiently transferred through informal networks, even though the transfer process is difficult to manage due to its informality. The need for formal communication patterns and knowledge sharing occasions was evident in the Portuguese subsidiary, and articulated by one of the respondents. Formal knowledge transfer is important both because of the local culture of the subsidiary in question, and as a complementary method that is manageable to a greater extent than informal methods.

The nature of the relationship between the parent organization and its subsidiaries is important for the knowledge transfer process. The role of the subsidiary is in fact one of the main determinants for the direction and flow of knowledge between the HQ and the subsidiary units of a MNC. Depending on the direction of the knowledge transfer, the subsidiary can act as a local implementer, local innovator, global innovator or integrated player in the MNC. The Portuguese subsidiaries were observed to have the roles of local implementers, both based on their picture of the relationship to the parent and the existing knowledge transfer processes. Consequently, the knowledge flow from the subsidiaries back to the parent organization is practically non-existent in this case.

A majority of the Senior Vice Presidents at the MNC of the case study realized that there is a need to receive more impulses from around the world, via their subsidiaries in distant countries. A change in the knowledge transfer back from the subsidiaries of a MNC requires a reformulation of the strategy for knowledge transfer, with the help of determining the subsidiary roles.

Reverse knowledge transfer seems to still today exist within multinational corporations of a limited extent. Based on previous research and the case of the Finnish MNC, the main direction of the MNC knowledge flows were observed as top-down, which means from the parent organization to its subsidiary units. To cope with a changing business
environment, and to be able to keep up with the pace in emerging markets, the need for reverse knowledge transfer is becoming an addressed topic, but measures are yet to be seen. Concluding this argumentation, it can be stated that MNC’s need to reshape the knowledge transfer process into a dynamic two way interaction to be able to receive impulses and local market knowledge from foreign subsidiaries. Formal methods for reverse knowledge transfer are crucial, managed the same guidelines as top-down knowledge transfer at the moment.

RQ2: Which are the primary factors that affect the knowledge transfer process, and how do these impact the knowledge transfer process?

This question was answered with the help of the developed theoretical framework. The four perspectives provide insights on the most important influencing factors, which have to be taken into account and managed simultaneously to establish a successful knowledge transfer within the MNC. The theory within each perspective presented important influencing factors, many of which were proven to affect the knowledge transfer in the MNC for the case study.

The knowledge sharing between individuals of an organization is connected to motivation. Without the motivation to share one’s knowledge, knowledge transfer will have a very low probability to occur. Social networks can act as a motivator to share ones knowledge with colleagues. Apart from motivation, commitment is another influence that was proven to affect knowledge transfer. Especially commitment to one’s own organization, which is the subsidiary in this case, is a feature that can restrain knowledge from being transferred between organizations. This was a feature found in the subsidiaries of the case study, which can be argued to affect the MNC knowledge sharing. Consequently, commitment to the MNC rather than the own subsidiary would act as an enhancer of MNC knowledge transfer.

Power is as an organizational phenomenon a debated and tabooed subject, because of its evident existence combined with its often destructive nature. For knowledge transfer the use of knowledge as a power tool is a definite barrier. Especially the power of the employees of the parent organization is an impediment to knowledge transfer between subsidiaries and headquarters. In the case of the Finnish MNC the Finnish foreign adverse mentality in combination with the threat of becoming replaced by foreign units was observed to obstruct the MNC knowledge transfer.
The absorptive capacity of the MNC is a cognitive feature of the organizations involved in the knowledge sharing process, which turned out to be another important influencing factor. The absorptive capacity is furthermore connected to the different dimensions of the transferred knowledge, and especially knowledge that is not considered to be key to the company performance is more difficult to transfer because of decreased absorptive capacity. In the case study this knowledge was the highly tacit knowledge, which was receiving less interest because of its lower priority than technological knowledge.

National cultures considerably affect the knowledge transfer process, and Hofstede’s dimensions provided valuable insights in the case study. One of the most important implications turned out to be the differences between the involved national cultures, which have to be taken into account when managing the MNC knowledge transfer. When there is a difference between the organizational culture and the national culture of a subsidiary that subsidiary is less probable to be involved in the MNC knowledge sharing, for example in the case of a high power distance compared to a low one.

Finally, the organizational structure, culture and strategy all determine the knowledge transfer process, and through shaping the organization and its climate knowledge transfer processes are enabled and barriers removed. Features like strong values, commitment, formalized communication networks and management support are argued to enhance the knowledge sharing activities within an organization, and increase the MNC knowledge transfer success.

Considering previous research within the field, the results from this case study falls well in line with existing theory. The focus is on the knowledge outflow from the parent organization, even though the benefits of reverse transfer are evident. The subsidiary perspective showed the importance of the subsidiary involvement for the knowledge sharing success. The distinction between explicit and tacit knowledge is a determinant factor for the knowledge transfer process. Furthermore, the cultures involved in the process affect the way the individuals perceive the knowledge transfer need of the organization, and commit to these by their individual knowledge sharing activity. The organization can be shaped to transfer knowledge more efficiently, but ultimately the definition of clear subsidiary roles is the most fundamental influencing factor that works as a prerequisite for the MNC knowledge transfer.
The theoretical framework presented in this study can be applied when analyzing the knowledge sharing within practically any multinational corporation. The key is to first determine the subsidiary roles, the transfer methods and the knowledge dimensions. Then, as the knowledge transfer strategy is shaped, the influencing factors that need to be taken into account can be pointed out, to facilitate the process and remove possible barriers to a successful process.

Following this conclusion a presentation of what could not be researched within the scope for this study seems appropriate. Even though I within this thesis have been able to develop the understanding for knowledge transfer within a MNC, this is just a small step towards a thorough understanding of the process. There are several ways in which the research within the field can be further developed, to increase the general knowledge and interest for the phenomena of immediate interest.

### 7.2. Suggestions for further research

This study focused on a technology intense MNC in the industrial goods and services sector. The knowledge dimensions of tacit and explicit knowledge combined with the importance to define critical knowledge implies that multinational companies in different business sectors may have very different needs and processes for knowledge transfer. It would be of interest to study whether there is a clear distinction between different types of knowledge transfer strategies between MNC’s in different sectors.

The MNC of this case study did not have a clearly formulated strategy for knowledge transfer, but it is not possible to determine whether this affects the knowledge transfer as a process. Therefore, an interesting question to research would be the connection between a knowledge transfer strategy and the availability and success of knowledge transfer within a MNC. It is possible that companies that have a clear strategy with goals that are common for the organization as a whole have fewer barriers to knowledge sharing, because of forecasting management.

Finally, the theoretical framework of this study could be used in a comparative study, to determine how companies cope with the factors that act as barriers to efficient knowledge transfer within a MNC.
SVENSK SAMMANFATTNING

Inledning


Problemområde

Multinationella företag existerar till stor del på grund av sin möjlighet att överföra kunskap inom organisationen (Gupta & Govindarajan 2000), på ett sätt som inte är möjligt att imitera av konkurrenterna. Överföringen av kunskap från hemlandet till nya marknader innebär en anpassning till den lokala kontexten, med hänsyn till både den lokala organisationen och dess omgivning. Finska företag är allt oftare tvungna att internationalisera sig och starta verksamhet runtom i världen. Ännu idag är det dock vanligt att gå enligt det finska styrningssättet och anpassa enheter utomlands enligt detta. Problemet ligger i att man inte tar den lokala kontexen i beaktande, och därmed eventuellt går miste om nytta som den lokala kunskapen skulle kunna innebära. I det specifika fallet av ett finskt multinationellt företag är frågan hur man kan anpassa den finska kunskapen och dra nytta av konkurrensfördelarna på andra marknader, och hur man kan utveckla den globala verksamheten med hjälp av lokal kunskap från de utspridda dotterbolagen.

De specifika forskningsfrågorna för studien är:
1) Vilka slags processer finns i organisationen för överföring av kunskap till en annan nationell kontext?

2) Vilka är de huvudsakliga faktorerna som inverkar på processen för kunskapsöverföring, och hurdan är denna inverkan?

**Syfte och avgränsningar**


Denna studie i kunskapsöverföring kommer att begränsas till att omfatta endast de två nationella kulturerna i Finland och Portugal. Eftersom endast ett företag ingår i forskningen kommer inte resultatet att vara generaliserbart på andra fall, men studien väntas ändå ge insikter i kunskapsöverföring i denna kontext. Genom att tillämpa ett synsätt där dotterbolaget är utgångspunkten kommer undersökningen att kunna baseras på vad som skett i verkligheten, och inte endast beakta företagets avsikter.

**Tidigare forskning**

Eftersom forskningen inom kunskapsledning och överföring är så utspridd, är det nödvändigt att börja teorigenomgången på ett väldigt allmänt plan, genom att redogöra för vilka de olika dimensionerna av kunskap är. Därefter kommer de mest inflytelserika modellerna för kunskapsöverföring att presenteras, följt av en genomgång av kunskapsöverföring inom multinationella bolag.
Kunskap

Den mest grundläggande egenskapen i kunskap är att det är en social produkt, beroende av social interaktion mellan individer (Williams 2007). Eftersom kunskap är en social produkt, är kunskapsöverföring beroende av sociala faktorer. Detta är en av grundstenarna för studien, och även orsaken till att intresset för fenomenet är så stort. Därtill är kunskap kontextspecifikt och mångtydig till sin natur.


SECI-modellen


**Kunskapsöverföring inom ett multinationellt bolag**


**Förhållandet mellan moder- och dotterbolag**

Förutom de olika metoderna för kunskapsöverföring är även förhållandet mellan moderbolaget och de enskilda dotterbolagen avgörande för kunskapsöverföringen.
Beroende på graden av flöde av kunskap in respektive ut från dotterbolaget kan olika roller definieras. Dessa roller bestämmer även behovet av kunskapsöverföring inom den multinationella organisationen.

Om graden av kunskap som strömmar in i dotterbolaget är hög, men utströmmningen väldigt låg, kan dotterbolaget beskrivas som en lokal implementerare inom organisationen. Om situationen är den motsatta, ses dotterbolaget som en global innovatör. Om kunskapsöverföringen är tät i båda riktningarna har dotterbolaget rollen som en integrerad aktör, medan den i det motsatta fallet ses som en lokal innovatör. Beroende på strategin för företaget kan dotterbolagen ha olika roller, och det viktiga är att se hur graden av kunskapsöverföringen inverkar på dotterbolagets roll, endast då kan man styra kunskapsöverföringen i önskad riktning.

**Forskningsgap**

Även om kunskapsledning är ett ämne som fått mycket uppmärksamhet och varit föremål för forskning under de senaste årtiondena, är det ännu idag inte komplett. Speciellt kunskapsöverföring är ett relativt nytt ämne, där det fortfarande inte existerar några få dominerande teorier (Thompson, Jensen & DeTienne 2009). Forskningen inom området är väldigt bred, men har ännu inte uppnått ett djup som skulle göra det fullständigt.

Baserat på den tidigare forskningen inom området så kan man dra några slutsatser om var det tillsvidare finns luckor som kan fyllas med ytterligare forskning. Än så länge har en stor del av forskningen inom kunskapsöverföring riktat sig till moderbolaget (Gupta & Govindarajan 2000)(Li & Hsieh 2009). Med andra ord har man främst beaktat moderbolagets intresse i kunskapsöverföringsprocessen. Forskningen har även i huvudsak utförts på en makro nivå (Foss, Husted & Michailova 2010), där individens insats inte haft en stor betydelse.

Genom att tillämpa ett socialt perspektiv strävar jag efter att inom denna studie ta den sociala aspekten av kunskap i beaktande, där organisationsmedlemmarna utgör grunden för kunskapsöverföringen. Därtill kommer dotterbolaget att beaktas som en likvärdig del i processen, för att uppnå ett helhetsperspektiv.
Teoretisk referensram


Ett socialt perspektiv


Den kognitiva förmågan hos en organisation kan vara mer svårpåverkad än de politiska faktorerna. Inom detta perspektiv är det dotterbolagens absorptionsförmåga, kunskapens kausala tvetydighet (eng. causal ambiguity) samt identifieringen av viktig kunskap som har setts påverka kunskapsöverföringen inom en multinationell organisation (Vince & Paik 2005).
Den nationella kulturen är en väsentlig del av det sociala perspektivet, då en stor del av individernas beteende kan anses vara beroende av deras kultur. Inom ett multinationellt bolag förstärks detta i och med den breda variationen av olika nationella kulturer. Av de fyra fundamentala dimensionerna av kunskap (Hofstede 2001), är det hög maktdistans, maskulinitet och individualism som ansetts ha den största negativa inverkan på kunskapsöverföring, medan undvikande av osäkerhet har en mer indirekt inverkan. Vad beträffar fallen Finland och Portugal, är skillnaderna betydande inom majoriteten av de dimensioner Hofstede presenterar (2001), se tabell 1 på sid 33. Låg maskulinitet, det vill säga en hög grad av feminism är den enda gemensamma egenskapen mellan de två kulturerna.


Dessa fyra delar av det sociala perspektivet kan ses som en ram för analysen av kunskapsöverföring inom ett specifikt företag. Med hjälp av detta ramverk kan man kartlägga de faktorer som inverkar på kunskapsöverföringsprocessen, och utveckla nödvändiga verktyg för att handskas med eventuella motgångar.

**Metodologi**

Forskningsmetoden bestäms av att undersökningen i denna avhandling görs i form av en fallstudie, i Figure 6 - A methodological framework (adapted from Saunders et al 2007) finns en illustration av den övergripande modellen för forskningsmetoden.

**Forskningsstrategi och design**

Det filosofiska perspektivet för undersökningen kan främst beskrivas som en sorts interpretivism, vilket baserar sig på förståelsen för kulturella, sociala, politiska och ekonomiska faktorer (Peter & Olson 1983). Man utgår från att det inte finns någon absolut sanning (Easterby-Smith, Thorpe & Jackson 2008), och därmed är inte syftet
heller att finna denna. Däremot är syftet att på djupet undersöka en process beroende av sociala faktorer som till exempel kultur, och forskningsstrategin följer i enlighet med det interpretivismen.

Den explorativa fallstudien är upplagd som en kvalitativ undersökning, för att komma an fenomenet på djupet. Fallet kommer att undersökas med hjälp av semistrukturerade intervjuer, i kombination till en sorts etnografisk observation av den portugisiska kulturen som genomförs under vistelsen i Portugal.

**Datainsamling**

Metoden för datainsamlingen är som sagt semistrukturerade intervjuer, som genomförs delvis i Portugal (5 st) och delvis i Finland (4+1 st). I Portugal undersöks kunskapsöverföringen på individnivå, medan de finska intervjuerna står för en strategisk syn på fenomenet. Genom de semistrukturerade intervjuerna har man som forskare möjlighet att höra direkta åsikter från organisationsmedlemmarna, och ta del av deras erfarenheter och värderingar (Patton 2002). Intervjuerna innehåller även en visuell del, där respondenternas sociala nätverk illustreras av dem själva. Intervjuguiden för intervjuerna läggs upp skilt för de två olika sorterna av respondenter, det vill säga portugisiska dotterbolagsmedlemmar och finska ledare, och finns presenterade i bilaga 1 och 2.

Resultatet av datainsamlingen var fem intervjuer i Portugal på två dotterbolag till samma finska koncern, och i Finland intervjuades fyra medlemmar av ledningen av samma koncern. I Finland genomfördes dessutom en pilotdiskussion med VD:n för att kartlägga situationen och hitta lämpliga respondenter. Målet för att hitta respondenter för den strategiska delen av undersökningen var att välja informationsrika fall, det vill säga personer med expertis inom området.

Förutom dessa intervjuer måste den etnografiska observationen ses som en del av datainsamlingsprocessen, eftersom den innebär en förförståelse för den lokala kulturen som uppstår innan intervjuerna genomförs i dotterbolagen.

**Analysmetod**

Valet av analysmetod är ett viktigt beslut inom kvalitativa studier, och inom denna avhandlingen kommer analysen att genomföras med en så kallad alternerande mönster-strategi (eng. alternate templates strategy) som den presenteras av Ann

**Forskningskvalitet**

Inom denna studie eftersträvas inte ett positivistiskt synsätt, och kvalitetskriterierna är därmed inte de typiska måtten av reliabilitet och validitet. I stället utgörs argumenteringen för forskningskvaliteten av de fem kvalitetskriterierna tillförlitlighet (eng. credibility), överförbarhet (eng. transferability), pålitlighet (eng. dependability), bekräftbarhet (eng. confirmability) och integritet (eng. integrity) presenterade av Wallendorf och Belk (1989).

Genom användningen av triangulering i ett flertal skeden av undersökningen kommer tillförlitligheten att säkras, nämligen den tudelade datainsamlingsprocessen, observationen av den portugisiska kulturen samt valet av analysmetod innebär datatriangulering, metodtriangulering respektive teoretisk triangulering. Överförbarheten, som i sig inte är av högsta prioritet, ökas genom en djup genomgång av tidigare forskning, och utvecklingen av den teoretiska referensramen på basen av denna. I teorin är referensramen applicerbar på vilket multinationellt bolag som helst, oavsett bransch eller marknad. Pålitligheten motiveras för med hjälp av detta metodologiska kapitel, som ger en transparent bild av forskningsprocessen. Inom kvalitativa studier är det sällan möjligt att vara helt subjektiv, och detta är något som måste godtas som forskare. Objektivitet har ändå eftersträvats i all tillfallen, för att uppehålla bekräftbarheten i alla faser av forskningen. Slutligen kan transkriberingen av intervjuerna ses som ett verktyg att höja på integriteten, och den övergripande kvaliteten i undersökningen. Därtill stöder pilotdiskussionen och valet av fler än en respondent per undersökt organisation forskningens integritet.
Resultat

Resultaten från datainsamlingen presenteras som en kontrasterande genomgång av de olika förutsättande faktorerna för kunskapsöverföringen, nämligen kunskapsdimensionerna, själva kunskapsöverföringsprocessen, relationen samt kulturen. Detta för att se hur de olika synerna avviker och stämmer överens med varandra.

**Kunskapsdimensionerna**

De två kunskapsdimensionerna som framkom ur intervjuerna både i moderbolaget och dotterbolagen är teknologisk kunskap och kundbaserad service kunskap, som även kan jämföras med distinktionen tyst - explicit kunskap. Distinktionen framkom i dotterbolaget genom en uppdelning av kunskapsöverföring beroende på typen av kunskap (Duarte, intervju 24.5.2010). Inom moderbolaget framkom uppdelening då de kritiska framgångsfaktorerna diskuterades, och man hittad en utmaning i överföringen av servicekunskap (Fredrik, intervju 15.10.2010). Den teknologiska kunskapen utgör verksamhetens kärna, och är därför högsta prioritet inom organisationen. Vad beträffar den kundrelaterade kunskapen är det mer personligt hur beslut fattas och medarbetarna sköter sina egna ärenden, med mindre grad av kommunikation sinsemellan än i fråga om teknologi. Därmed är överföringen av denna tysta kunskap inte formaliserad till samma grad som den är för den teknologiska kunskapen. Även träning och utveckling inom service lider av att moderbolaget befinner sig långt borta från den kontext där kundrelationerna sköts.

**Kunskapsöverföring**

Metoderna för kunskapsöverföring skiljer sig till en viss grad mellan de olika synsätten. Inom moderbolaget, och mellan moderbolaget och de andra enheterna, är kunskapsöverföringen formaliserad, och sker med hjälp av formell kommunikation, projekt, strukturerade möten, expatriater, och skolning.

Inom dotterbolagen visade sig för det mesta ta formen av personlig kommunikation, antingen igenom direkt diskussion, telefonsamtal eller E-post. Det informella kunskapsnätverket inom dotterbolagen är väldigt öppet till sin natur, med öppen och kontinuerlig interaktion mellan organisationsmedlemmarna. Alla har tillgång till samma kunskap och information genom IT-verktygen, och det finns inga hinder att
fråga medarbetare om åsikter och hjälp i det dagliga arbetet. Kunskapsöverföringen kan anses vara beroende av det sociala nätverket medarbetarna emellan. Den formella kommunikationen och kunskapsöverföringen nämnades av respondenterna som bristfällig i jämförelse med informell kommunikation (Bruno, intervju 26.4.2010)(Cristiano, intervju 22.4). Man uttryckte en oro om att inte alla medarbetare delar med sig av sin kunskap och att inte all information når de lägre nivåerna av organisationen.

Detta tyder på en tydlig inkonsekvens mellan moder och dotterbolagens kunskapsöverföring. Användningen av tvåfunktionella projekt syntes inte över huvudtaget i dotterbolagen. Dotterbolagen är inte involverade i kunskapsöverföringen inom det multinationella bolaget eftersom den formella överföringen av kunskap saknas till en viss del, som blir avgörande i detta fall.

**Förhållandet mellan moder och dotterbolag**

Inom moderbolaget hade man en del motstridiga åsikter om vilka roller dotterbolagen har inom organisationen. Den slutsatsen som kan dras är i alla fall att de flesta dotterbolag verkar som lokala verkställare, då kunskap överförs främst i riktningen från moderbolag till dotterbolag, och dotterbolagen verkar självständigt på den lokala marknaden (Heikki, intervju 12.11.2010, Ilari, intervju 25.11.2010). En klar ifrågasättning av ifall detta är en fungerande lösning i framtiden presenterades dock av majoriteten av respondenterna. Man ansåg att organisationen i framtiden måste imotta fler impulser från omvärlden, igenom kunskapsöverföring från de geografiskt utspridda dotterbolagen.

I dotterbolagen ansåg man relationen till moderbolaget främst vara baserad på formell kommunikation och centraliserat beslutsfattande (Cristiano, intervju 22.4.2010), vilket bekräftas av moderbolagets syn. De portugisiska dotterbolagen uppfattar sin verksamhet som ganska självständig i fråga om utveckling och styrning, då nya förfaringsätt och idéer implementeras självständigt med ledning av den lokala VD:n för respektive dotterbolag. I avseende för rollen i det multinationella bolaget uttryckte man ett visst missnöje med att inte kunna delta i strategiska beslut, utan endast få ta del av dessa vid implementeringsskeded. Även detta är ett tecken på att kunskapsöverföringen främst sker i riktning från moderbolaget till dotterbolagen runtom i världen.
**Kulturen**

Organisationskulturen beskrevs väldigt liknande av respondenterna i såväl moder som dotterbolag. Inom respektive organisation ansåg man att det multinationella bolaget verkar enligt nordiska värden, såsom ärlighet, respekt och ett jordnära förhållningssätt. De portugisiska respondenterna var klart införlivade i den starka organisationskulturen, vilket till stor del förklaras av deras långa karriär inom bolaget.


**Analys**

De resultat som datainsamlingen gav kan analyseras med hjälp av de fyra perspektiven utvecklade inom den teoretiska referensramen. Med hjälp av denna analys kan de främsta faktorerna som inverkar på kunskapsöverföringen bestämmas, för att tillsammans utgöra ett socialt perspektiv, illuserat i följande figur.

![Figur 1 - Ett socialt perspektiv](image-url)
De främsta influenserna inom det politiska perspektivet består av känsloladdade faktorer såsom makt, hängivenhet och motivation. Dessa har inom tidigare forskning visat sig vara avgörande för kunskapsöverföringen, och tydliga tecken för detta påfanns även i det multinationella företaget föremål för studien. Hängivenheten är en viktig faktor eftersom den styr organisationsmedlemmarnas motivation att dela kunskap. Om de anställda i ett multinationellt bolag känner större tillhörighet till den egna organisationen, det vill säga dotterbolaget, är chanserna mindre att kunskapen överförs till de högre nivåerna och slutligen när moderbolaget. Användningen av kunskap som ett maktredskap i sin tur är omvänt relaterad till överföring av kunskap, och då detta kombineras med en rädsla över att bli ersatt av billigare arbetskraft är effekten påtaglig. Inom fallstudien syntes detta speciellt i den finska organisationen, där de finska anställda är oroliga över att allt större delar av verksamheten flyttas utomlands inom det multinationella bolaget.

Då man tar de kognitiva faktorerna i beaktande är det i enlighet med tidigare forskning kapaciteten att absorbera kunskap samt kunskapens tvetydighet som har störst inverkan på kunskapsöverföringen. Då det i detta fall är fråga om ett teknologi intensivt företag, är den absorberande kapaciteten mest inriktad på denna typ av kunskap, som anses kritisk för företagets framgång. Det finns alltså en risk att kunskap som har en mindre central roll faller i skymundan och inte överförs alls. Då denna kunskap, relaterad till kunder och service, dessutom är väldigt kontextspecifik försvåras överföringen ytterligare. Genom att förstärka gemensamma värden och mål kan man öka på förståelsen för kunskap vars potential inte är helt uppmärksammat inom organisationen. Överlag är nyckeln till att minska på de kognitiva faktorernas negativa inverkan att identifiera kritisk kunskap inom andra områden än kärnverksamheten för att sedan kunna överföra den.

Det kulturella perspektivet visar att den främsta faktorn som påverkar kunskapsöverföringen negativt är hög maktdistans, medan den främsta uppmuntrande faktorn kan ses som femininitet. Inom fallföretaget märktes den höga maktdistansen som en brist i de anställdas eget initiativtagande, medan femininiteten skapade ett informellt social nätverk präglar av öppenhet. Den viktigaste implikationen av det kulturella perspektivet är kanske ändå betydelsen av kulturella skillnader för kunskapsöverföringen inom en organisation. Speciellt beträffande en sådan situation då moderbolaget verkar i en nationell kultur där maktdistansen är låg, är det svårt att inse utmaningarna med att överföra kunskap inom kulturer med hög maktdistans.

**Diskussion**

Som sista del av forskningsprocessen kommer resultaten och förloppet för studien att diskuteras, för att komma fram till slutsatserna för studien. Därefter följer en presentation av möjligheterna att utveckla forskningen inom området.

**Slutsatser**


Studiens fokus är dotterbolagets perspektiv, vilket erhölls genom att genomföra intervjuerna på dotterbolaget utan någon slags förförståelse för vare sig det multinationella bolaget eller moderbolaget.

Med hjälp av det sociala perspektivet, och de underliggande politiska, kognitiva, kulturella och organisatoriska perspektiven, och resultaten från fallstudien, kunde forskningsfrågorna besvantas.

1) **Vilka slags processer finns i organisationen för överföring av kunskap till en annan nationell kontext?**

Kunskapsdimensionerna bestämmer målet och metoderna för kunskapsöverföringen inom ett multinationellt bolag. I fallstudien kunde detta bekräftas genom uppdelen av kunskap enligt huruvida den är teknologisk eller ej, och denna uppdelning visade styra både kommunikation och kunskapsöverföring. Teknologisk kunskap överförs till en stor del med hjälp av IT, och därtill är största delen av skolning och utveckling av anställda inriktad på denna typ av högt prioriterad kunskap. Servicekunskap, som hör till den andra typen, är en utmaning för företaget av styra, på grund av dess lokala och komplexa natur.


Den omvända kunskapsöverföringen är ett omtalat ämne som fortfarande lyser med sin frånvaro i praktiken. Det finns ett utvecklingsbehov som även identifierades inom fallstudien. För att hållas med i utvecklingen på tillväxtmarknaderna är de västerländska multinationella bolagen tvungna att ta emot impulser från sina dotterbolag omkring i världen, genom omvänd kunskapsöverföring.

2) Vilka är de huvudsakliga faktorerna som inverkar på processen för kunskapsöverföring, och hurdan är denna inverkan?


Motivation är en faktor som påverkar kunskapsöverföringen mellan medlemmarna av en organisation till en hög grad. Därtill utgör hängivenheten en viktig faktor, och då medlemmarna är mer engagerade i dotterbolagets verksamhet än bolaget som en helhet, är det osäkert huruvida kunskapen når någon utanför dotterbolagets gränser. Förutom dessa två faktorer kan kunskapen användas som ett maktredskap, speciellt av moderbolagets anställda. Makt är negativt relaterat till kunskapsöverföring, och då detta förknippas med att moderbolagets anställda känner sig hotade av att bli ersatta av utländsk arbetskraft, är effekten på överföringsprocessen betydande.

Den kognitiva kapaciteten bestämmer hur mycket kunskap en organisation kan uppta, och hur väl kritisk kunskap identifieras. Inom fallstudien var detta ett problem förknippat med kunskap som inte anses vara av högsta prioritet inom organisationen. Den absorberande kapaciteten riskerar att mättas av kärnkunskap, i detta fall teknologisk kunskap, och då faller övrig kunskap i skymundan, trots att även denna kan vara viktig för någon del av organisationen.

Nationella kulturer inverkar på kunskapsöverföringen inom ett multinationellt bolag, och Hofstedes dimensioner gav intressanta resultat i studien. Den mest intressanta påföljden uppkom ändå av skillnader inblandade kulturer emellan. Då det finns en skillnad mellan den nationella kulturen i dotterbolaget och den övergripande organisationskulturen, måste skillnaderna tas i beaktande för att dotterbolaget ska kunna involveras i kunskapsöverföringen. Detta betyder även att organisationskulturen, strategin och strukturen måste skapas för att handskas med
nationella kulturer, och överkomma hinder till kunskapsöverföring, som till exempel en hög maktdistans kan framkalla.

Resultaten från denna studie överensstämmer väl med tidigare forskning inom området. Fokus ligger tillsvidare i praktiken på kunskapsöverföring från moderbolaget till dess dotterbolag, även om omvärd överföring uppmuntras i teorin. Distinktionen mellan de olika typerna av kunskap är avgörande för kunskapsöverföringsprocessen, såsom även dotterbolagens roller. De nationella kulturerna styr hur medlemmarna av en organisation inställer sig till kunskapsöverföring, och denna kan formas med hjälp av en motiverande organisationskultur.

**Förslag till fortsatt forskning**

För att avsluta denna sammanfattande diskussion krävs en presentation av det som inte kunde uppnås inom ramen för denna studie. Även om denna avhandling är ett litet steg mot en förståelse för kunskapsöverföring inom ett multinationellt bolag, är det ännu mycket kvar för en full förståelse för ämnet. Forskningen kan utvecklas ännu i ett flertal olika riktningar, och de följande förslagen kan ses som personliga förslag på fortsatt forskning.

Inom denna studie fokuserade jag på ett teknologi intensivt företag inom branschen för industriella varor och tjänster. Kunskapsdimensionerna i koppling till definitionen av kärnkunskap talar för att det finns väldigt olika behov av kunskapsöverföring. Med hjälp av en jämförande studie mellan olika sektorer kunde man undersöka huruvida det finns branschspecifika behov och processer för kunskapsöverföring i multinationella bolag.

Fallföretaget i studien hade inte en klart formulerad strategi för kunskapsöverföring inom organisationen och mellan dess enheter, men det går inte att bestämma huruvida detta påverkar resultatet märkbart. Därmed finns det ett intresse för att undersöka kopplingen mellan en formulerad strategi och framgången i kunskapsöverföring inom organisationen.

Slutligen kunde det teoretiska ramverket som utvecklades inom denna studie användas för en kartläggande studie mellan olika multinationella bolag, för att se hur man handskas med de inverkande faktorerna och de hinder som kan uppstå i kunskapsöverföringsprocessen.
REFERENCES


APPENDIX 1 INTERVIEW GUIDE PORTUGAL

Individual level

1. Which are your work tasks?

2. What do you need to perform those tasks?
   • Skills
   • Experience/Knowledge
   • Collaboration
   • Documentation

3. How do you act when you get a new idea? Can you think of a situation when you got an idea, for example on how to improve a work process, your tasks, a routine, communication or something else related to your work or the organization

Group level

4. What kind of work-related knowledge do you share with colleagues?
   • Tacit/explicit

5. Who do you share knowledge with? Could you draw a brief map of the central persons
   • Network

6. How do you share knowledge with colleagues?
   • Formally
   • Informally

Organizational level

7. Can you describe the processes for knowledge transfer within the organization? For example: new employee orientation
   • Sources
   • Structure

8. In which forms is (explicit) knowledge stored in the organization?
   • IT
   • Documentation
9. How is new knowledge implemented in the organization? (Tacit/Explicit)
   - Routines
   - Processes
   - Communication

**Parent - Subsidiary**

10. What is your picture of the Finnish parent organization?
   - Communication
   - Involvement
   - Core capabilities
   - Differences to Portuguese organization

11. How well is the Code of Conduct suitable for the Portuguese environment?

12. Do you regard the organization in Portugal to be more Portuguese than Finnish? In which aspects?
APPENDIX 2  INTERVIEW GUIDE FINLAND

Background information

1. What is your position and background at the company?

Strategic capabilities

2. Which do you regard as the factors that are critical for the success of the company? (product features)

3. Which competences strengthen and support these features?

Knowledge transfer in the MNC

4. What is the strategy for knowledge transfer?

5. Subsidiary roles?
   - Knowledge inflow
   - Knowledge outflow

6. What are the methods for knowledge transfer?
   - Social networks
   - International communication
   - Training

Company culture

7. Could you please describe the company culture
   - Mission and vision
   - Values and norms

8. How are these implemented and managed?

9. How are these visible in the daily business?

10. How are different national cultures handled (cultural diversity)?
APPENDIX 3  COMPANY STRUCTURE

The MNC
CEO
Executive team
Executive forum

Reporting segment A
President

Reporting segment B
President

Reporting segment C
President

Figure 8 - Company structure