

## Chapter 4.3

# A Qualitative Study of Knowledge Management: The Multinational Firm Point of View

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### ABSTRACT

Knowledge is one of the basic production factors owned by enterprises, and knowledge management is one of the main dynamic capabilities on which enterprises can base their competitive advantages. The creation, transfer, and later use of knowledge have become increasingly important, and multinational corporations (MNCs), being scattered in various places, constitute the appropriate environment to implement knowledge management processes meant to maximize their intellectual assets. This chapter has as its aim to answer three

questions: (a) what actions do MNCs undertake in order to set knowledge management processes in motion; (b) what main variables impact on their knowledge creation capability; and (c) what main variables impact on their knowledge transfer capability? A qualitative research work based on a multiple case study has served to achieve that aim, allowing us to carry out an exploratory study of six MNCs which have shown their proactivity in the knowledge management area. The results of the analysis have led to eight propositions which highlight the most relevant variables facilitating the processes for the creation and transfer of knowledge within a MNC.

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## INTRODUCTION

In recent years, the environment surrounding enterprises has characterized by high levels of dynamism and complexity. The accelerated globalization, the widespread business restructuring and the strong competition in practically every economic sector have forced enterprises to become highly flexible and able to react before the new dynamics that may arise. These ingredients have led to the appearance of *the knowledge society*, which imposes new requirements on organizations. In order to compete effectively, the organizations need to learn new skills to be able to find, manage, share and use both information and knowledge (Abell & Oxbrow, 1999). As a result, competitive advantages increasingly derive from strategic assets, such as knowledge, and from a set of dynamic capabilities which mainly materialize in innovation and learning. Due to all this, knowledge management is now of paramount importance within organizations.

Firms have to face another unquestionable fact, namely, the ever-increasing level of globalization which is causing practically all economic sectors to shift from a local market toward a global one. The MNC, which has as one of its main characteristics the possession of scattered resources in various countries, appears as a diversified-knowledge corporation and provides the ideal environment to implement knowledge management processes, as it will be necessary to coordinate the creation and transfer of this resource between its various locations for the purpose of leveraging and achieving the maximum global performance.

In accordance with these ideas and taking as a reference the knowledge theory as well as the MNC theory, this study seeks to answer the following three questions: (a) what actions do MNCs undertake to set knowledge management processes in motion? (b) what main variables impact on their knowledge creation capability? and (c) what main variables impact on their knowledge transfer capability? In our opinion, the answers to these

questions can make a contribution to the literature in two ways: from the empirical point of view, they will provide further empirical evidence of the knowledge-MNC link through a focus on the actions undertaken for the purpose of managing knowledge and on the mechanisms which make possible the generation and transfer of this resource; and from a practical perspective, they will be the basis of an exploratory study which shows that management is facing new patterns. One of the main challenges lies in understanding the role of knowledge as a strategic intangible resource and, once managers have recognized the value of management, they must take a leading role in the promotion of knowledge management building the necessary mechanisms that favor this process; empowering employees to proactively participate in knowledge creation and transfer through the decentralization of the decision-making process (autonomy); promoting corporate socialization with the aim of creating a work context in which closer relationships between employees are possible; and combining internal and external ways of creating and/or acquiring knowledge.

We have structured the chapter in five sections. After the introduction, there is a literature review which highlights the strategic nature of knowledge, along with the role of knowledge management in the creation of sustainable competitive advantages. A detailed description of the qualitative research work follows, the findings being reported in the next section. Finally, the closing section summarizes the main conclusions drawn from the study, along with its limitations, and suggests future research lines.

## LITERATURE REVIEW

Nobody can deny the transformation experienced by present-day society, where business success no longer derives essentially from production factors, but from knowledge, which arises as the basic production and wealth creation factor (Drucker,

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