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Does Culture Really Matter?
Cultural Influences on the Knowledge Transfer Process within Multinational Corporations

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Abstract
Transfer and imitation of the organizational capabilities are the twin elements of competition in innovative and growing markets. Knowledge therefore becomes an important strategic asset within organizations. Consequently the management of knowledge is considered with special attention. This paper focuses on the transfer of knowledge between to units of a multinational corporation. The premise of this paper is that successful transfer of knowledge is dependent on the dimensions of the context the transfer process faces. It first gives an overview on main influence factors during the knowledge transfer process between two company units, and then investigates the question whether cultural differences in the sender units influence the knowledge transfer process. The paper finally presents a model of culture related factors influencing the knowledge transfer process between two company units located in geographically different places.

Keywords
Knowledge Transfer, Culture, Conceptual Model

1. Introduction
By the early 1990s, Multinational Corporations’ (MNCs) international production had surpassed international trade as the main mechanism for servicing international markets; while trade itself was increasingly conducted within and between MNCs. Characteristics and management styles of these companies have changed dramatically over time. Still international business researchers’ interest has tended to be on foreign direct investment flows rather than on firm-level behaviour of MNCs and their new agendas. One of the fields that clearly need to be researched in greater detail is the relationship between headquarters and subsidiaries of a MNC (Young 2000).

This paper focuses on one special aspect of this relationship: The transfer of corporate knowledge from headquarter to subsidiary located in differing cultural and geographical settings and vice versa. First it gives an overview on the influence factors during the knowledge transfer process between two company units. Since these units are usually located in two culturally different locations, the question arises, whether cultural differences between sender and receiver unit influence the
knowledge transfer process. The main object of this paper is to present a model of culture related factors influencing the knowledge transfer process between two company units located in geographically different places and describes these factors accordingly.

2. Theoretical Foundations on Knowledge Management and Transfer

Knowledge has been recognised as a primary resource of organisations (Drucker 1992). Some authors propose that knowledge is a company’s only enduring source of advantage in an increasingly competitive world (Birkinshaw 2001). Dealing with knowledge creation, transfer, and exploitation will be increasingly critical to the survival and success of corporations, and of societies (Hedlund et al. 1993). These developments raise the question about the organisation of knowledge processes within a company. The problems and the challenges companies encounter are to manage it in an effective way to increase their competitive advantages. The capability of MNCs to efficiently combine knowledge from different locations around the world is becoming increasingly important as a determinant of competitive success (Doz et al. 1997a). Thus MNCs derive great competitive advantage by managing knowledge flows between their subsidiaries. The management of knowledge in the multinational corporation involves projecting knowledge between different units of the corporation, e.g. from the centre (home-base) to the periphery (subsidiary) or vice versa (Schulz et al. 2001).

Knowledge management involves creating value from localised knowledge by combining spatially separate sources of knowledge. The firm needs to know where its knowledge assets and sources are located, and it needs to find a means of combining specific knowledge (Buckley et al. 2002). The organizational also has to enable communication between those individuals who need and those who own knowledge and furthermore make sure that the relevant subsidiary knowledge is actually made available to those units within the MNC that need it (Foss et al. 2002). The company therefore has to be constantly aware that the knowledge accumulated in various parts of the organizations needs to be localized, examined and used at another location within the organization. It needs to be transferred.

Doz and Santos (Doz et al. 1997b) define knowledge transfer as follows:

“It is customary to speak of the ‘transfer’ of knowledge (or transfer of technology) between two distant units of a MNC or between two different functional units at HQ, between a vendor and a customer, even between countries. The use of ‘transfer’ implies (or, at least induces) an image of flow: knowledge ‘flows’ from its primary holder to the secondary holder (Doz et al. 1997b).”

That the knowledge transfer is not trivial within the firm is a fundamental observation (Kogut et al. 1993). Knowledge transfer is dependent on the ease of knowledge transport, interpretation and absorption (Hamel et al. 1989). MNCs still do face a specific problem. Since most of their company units are geographically dispersed, their main aspect of managing knowledge is transferring it from one unit to another.
3. Influence Factors on Knowledge Transfer

Knowledge is generally generated from different sources and therefore associated with different degrees of ease of transfer. The process of knowledge transfer can be supported or hindered by different organizational means and conditions (Foss et al. 2002). Successful knowledge transfer is depending on situation characteristics of the knowledge transfer process (Szulanski 1994). Organizations may not be equally predisposed for successful launch and maintenance of knowledge management initiatives. A key to understanding the success and failure of knowledge management within organizations is the identification and assessment of preconditions that are necessary for the effort to flourish (Gold et al. 2001) and the context in which knowledge transfer takes place. Individuals and organizations share several dimensions of context, e.g. climate, nationality, education, political, justice, economic, and other systems; corporate governance; management styles, and incentive schemes (Doz et al. 1997b) and each of these dimensions can influence the knowledge transfer process.

The following figure gives an overview on the most relevant influences gathered from scientific literature. The following sections describe various influences on knowledge transfer shown above in detail.

Figure 1. Contextual Influences on the Knowledge Transfer Process

3.1 Knowledge Specific Influences

Successful implementation of marketing knowledge can be influenced by the nature of knowledge transferred and by the ambiguity of the knowledge.

The successful articulation of tacit knowledge is, however, only the first step towards reaping its potential benefits (Doz et al. 1997a). To transfer tacit knowledge it has to be codified into forms, which allow successful implementation at the receiver’s unit. The ability to transform tacit capabilities into a comprehensible code, understood by a large number of people derives from the collective experiences of members to a firm organized by persisting rules of coordination and cooperation (Zander et al. 1995). Recommended instruments of transferring tacit knowledge are social
interaction between company members, storytelling, traditions, routines, Learning-by-doing (von Krogh et al. 1998).

**Explicit knowledge** can be easily be formulated by the means of symbols and can be digitalized. This knowledge can thus with relative ease be transferred to others by e.g. the use of information technology (Johannessen et al. 2001).

The theory of uncertain imitability says that the fundamental factor that hinders the precise replication of results from the use of knowledge is causal **ambiguity** (Lippman et al. 1982). Kogut and Zander (1996) also pointed out that the ambiguity of knowledge needs to be considered as an influential factor in knowledge transfer (Kogut et al. 1996). Ambiguity of knowledge is defined by resistance to clear communication, embeddedness in context and idiosyncrasy (Simonin 1999) and obscures how the features of the new context affect the results of the replication effort and successful implementation at the receiver’s unit (Szulanski 1994).

### 3.2 Organization Specific Influences

Organizational structure and corporate culture are other factors influencing the knowledge transfer process.

Firms require some degree of **structural organization** (Buckley et al. 2002). Structural elements of organizations are intended to rationalize individual functions or units within an organization (Gold et al. 2001). The organizational structure of the firm may be a result of central management dictate, or have evolved over time (Buckley et al. 2002). Structures can formally indicate and facilitate connections, and communications between individuals both within and across these boundaries, although connections may also arise spontaneously and informally. Structures may also place **limits** on communications or create intentional or unintentional obstacles (Buckley et al. 2002). Therefore structural elements of organizations have influence on the collaboration and sharing of knowledge within organizations (O'Dell et al. 1998) as well as on inhibiting these activities (Gold et al. 2001).

**Corporate culture** refers to the values and view that are rooted in a company, and how they influence attitudes and behavior there. Many of these attitudes are taken for granted, and people are hardly aware of them. But they can also represent more conscious views and values. Manifestations of these values and views, can be the design of the workplace, personnel policy, advertising campaigns, organizational structure, product design, logo, jargon and so on (Schein 1985) (Wikström et al. 1994). Thomas (Buckley et al. 2002) describes organizational culture as consisting of shared behaviors. Members of the organizations are only partly involved in it and are gradually, after entering the organization socialized into the organizational culture of the corporation (Thomas 2002).

The methods of knowledge transfer are always related to the culture of an organization. A knowledge oriented corporate culture is clearly one of the most influential factors of successful knowledge transfer (Davenport et al. 1998), because a culture that promotes change and innovative behaviour encourages active exchange of ideas and increased knowledge transfers. An orientation promoting information transfer and information flows is reflected in a general atmosphere of inventiveness, creativity, and willingness to take changes (Miles 1978) in (Menon et al. 1992). This is the key of successful knowledge management. If the management of a firm is encouraging internal corporate knowledge management, acceptance and trust in knowledge management issues are enhanced (Heisig 1999).
3.3 Person Specific Influences

Person specific influences on the knowledge transfer are the routines in transferring knowledge and the power status of the individual.

Organizational Routines: The pressure of competition is the pressure of limited time to decide. Therefore firms rely on routinized behaviours because they are efficient ways of doing things given what they already know how to do. Experience is important at the individual and organizational level. New skills are more quickly learned the more the share elements with already acquired knowledge. Routines are the base for organizational reliability and performance, therefore organizations are likely to behave in the futures according to routines they applied in the past (Nelson et al. 1982) and (Hannan et al. 1989).

Organisations and their members have different choices of operational modes of knowledge transfer, depending on the various conditions and factors of competition and co-operation (Choi et al. 1997). Almost every organisation in which professional communicators work has an official organisation chart which shows what the normal lines of communication are to be. It is often the case that unofficial lines of communication exist within an organisation (Scollon et al. 1995). Institutionalisation can often transform these informal relationships and procedures into habits and routines, which are very difficult to change (Choi et al. 1997). The more frequently a company carries out its knowledge management processes, the more routine it has in doing so. Accordingly the process of knowledge integration at the recipient’s unit becomes more efficient (Gold et al. 2001).

Power Status: Power structures in a corporation can have a major impact on knowledge transfer processes. If power is a mean of strengthen the standing of an individual within a corporation, knowledge becomes a powerful tool. Knowledge transfer might be hindered to avoid sharing knowledge with other members of the corporation and keeping the individuals own position (Krogh et al. 1998). Effective transfer of knowledge can thus cause power structures to shift both in the providing as well as in the receiving units (Kriwet 1997). This can create fear of endangering the positions within the organization by sharing knowledge and consequently hinder or inhibit successful knowledge transfer (Probst et al. 1998).

The focus of this paper lies on the cultural influences on the knowledge transfer process. The following chapter first describes the knowledge transfer process in detail. After this the model on “Cultural Influences on Knowledge Transfer” will be presented.

4. The Process of Transferring Knowledge

The base of knowledge transfer is a simple communication model. The communication process transfers information from one individual to another. Two components of the communication are essential: The source (or sender) that sends the message, and a receiver to receive the message. Sending a message can be considered a communicative act by the sender, receiving a message a communicative act by the receiver. Person A (sender) intents to send information to person B (receiver). A codifies the information into a suitable form and starts the process of sending the information or knowledge to B. This can take place via talking or writing. The channel which transmits the information might influence the flow of the message and its reception. Receiver B receives the information and decodes it. After this B tries to implement (understand, make sense of)
the information received in his or her context and implements the knowledge in the surrounding environment.

The communication model described above can be seen as the foundation of a knowledge transfer process. Since it only deals with human communication it has to be extended to meet the needs of intra-organizational knowledge transfer. Knowledge transfer within MNCs does not only take place via oral communication, but by many other means. Knowledge can be coded via more abstract forms such as data, or less abstract forms such as people and objects. Still sender A has to think about the way knowledge is to be codified and starts the sending process. Receiver B receives the knowledge in its codified form, has to de-codify it and implement it into his working environment after this.

As shown above the knowledge transfer process is strongly influenced by contextual issues. When starting the codification process to main questions have to be answered by the sender of the knowledge.

What type of knowledge to transfer?
How to transfer knowledge the most efficient way?

4.1 Type of Knowledge Sent

According to Corsini (1987) knowledge can also be divided into two knowledge types: procedural knowledge and declarative knowledge. Declarative knowledge deals with the “knowing what” (facts and information) whereas procedural knowledge deals with the “knowing how” (know-how and application) (Corsini 1987). The distinction between these two types of knowledge explains Nishida (1999) with the following example: Knowing the rules and traditions of baseball is not the same as being able to play baseball (Nishida 1999).

Procedural Knowledge

Procedural knowledge refers to “know-how” to perform a certain task or activity. A procedure represents embedded experience and successful solutions to complex tasks, as well as coordination of solutions among various tasks in the organisation. It makes the more effective and efficient in current operations. It is also directing communication, defining planning steps, and setting performance measures (von Krogh et al. 2000). Accordingly procedural knowledge deals with information about how something occurs or is performed (Zack 1999). It is based on distinct systems and derives from past planning of action sequences that were successful. It can also derive from experience (Turner 1994).

Declarative Knowledge

Declarative knowledge is about describing something (Zack 1999). According to Chi (Chi 1981) declarative knowledge is knowledge about facts and concepts (Chi 1981). It deals with information about a situation. This includes predictions about appropriate actions to take in order to achieve goals as well as suggestions for efficient problem-solving strategies (Turner 1994).
When choosing the type of knowledge to be sent, the sender has to decide whether to send **declarative** (tell the receivers what to do) or to send **procedural** knowledge (tell the receiver how to perform activities). This decision process is influenced by the contextual factors of the sender.

### 4.2 How to transfer knowledge the most efficient way

Before the knowledge transfer process begins, the knowledge to be sent needs to be “packaged” into a certain form to be communicated efficiently. Information and knowledge held by an individual can therefore only be communicated to another person after they are encoded (Kock et al. 1997). Codification is the selection and compression of data into stable structures (Shannon 1948). When organisations codify their knowledge they package it into formats that enable the organization to transmit it to other parts and thus facilitate knowledge transfer (Schulz et al. 2001). Codification enables all members of the organization, who need knowledge, to access it. Knowledge is transferred into a code (not necessarily a computer code) to make it organized, explicit, portable and understandable. Codification gives permanence to knowledge that might be lost otherwise (Davenport et al. 1998). Codification can be accomplished in a number of ways, such as encoding of organisational knowledge in formulas, codes, expert systems, or budget information; expressing knowledge in natural language formats, such as reports, memos or policies, embedding knowledge in physical objects, such as prototypes or technologies, or even depositing it in employees who visit or rotate between different units (Schulz et al. 2001).

The codification process is strongly influenced by the context in which it takes place. Codification is the most active part in the knowledge transfer process. The individual has to consider the knowledge to be transferred and to find the right way of making it understandable for the receiver (codifying it in a way the receiver can de-codify it). Successful codification of knowledge must be based on a collaboratively established consensus among the participants (Sorensen et al. 2001) and can improve relationships among organizational communities if there is a commonly acknowledged context in which the signification given by the users to the symbols are unique (Dupouet et al. 2002). The codification process can be influenced by many various factors and it is not at all indifferent to national culture (Axel et al. 1997).

### 5. Culture Related Influences on the Knowledge Transfer Process

#### 5.1 Methodology

Since there is yet so little scientific evidence on cultural influences on knowledge transfer the author decided to apply a qualitative research design to investigate the most important influential factors of the construct. Above that an intensive literature investigation was complied. In course of 15 expert interviews and the literature review, factors influencing the knowledge transfer process were identified. The qualitative interviews were conducted to get a comprehensive overview on the perceptions of the interviewees and a set of open questions served as a flexible guidance (Rubin et al. 1995). On basis of this exploratory literature review and expert interviews the author successfully completed the underlying research model.
5.2 Cultural Influences on the Knowledge Transfer Process – A Conceptual Model

The following chapter introduces the model that addresses the key research questions of this paper. The model presents various factors that are related to culture.

![Figure 2. Cultural Influences on the Knowledge Transfer Process](image)

In the following sections the variables introduced in the model will be described and explained.

**Codification Style**

**Sender’s Cultural Background**

As shown before the management of knowledge is differing greatly according to the location of the organization. Scientific literature dealing with cross-cultural business relationships, mainly view cultural issues in an organizational context. Organizations are located in countries with differing cultural backgrounds; therefore a cross-cultural business relationship is influenced by the cultural background of the organization. This is also the case for knowledge transfer issues. A central aspect of transferring knowledge is the cultural and social background of the persons transferring knowledge. Knowledge itself and consequently the usage of knowledge are deeply embedded in their cultural context. The organisation may be unable to see beyond its habits and customary practices. There is a very evident gap in literature examining this issue from an interpersonal aspect (Williams et al. 1998). Organization can not be considered to have a cultural background, their employees do. Scientific management literature does not differentiate here when it comes to knowledge transfer and for example talks about cultural distance as hindering knowledge transfer (e.g. Simonin), but do not specify whether this cultural distance applies to the different units or to two different individuals.

The fact, that the sender or receives of knowledge does not necessarily have the same cultural background as the unit they work in, is mostly forgotten. Subsidiaries of organizations are often located in various different countries to improve the chances of the company. Even though these subsidiaries are located in a special cultural setting, it is not necessarily so, that all the employees are
sharing this cultural background as well. As said before many multinational corporations send expatriates to their foreign locations to ensure management practices and measures to be taken the way they are planned to in the headquarters and to decrease communication difficulties. One interviewee put it like this: “If a German in the subsidiary is talking to a German in the headquarters, there are no misunderstandings.” 7 interviewees reported major misunderstanding when communicating with colleagues with a differing cultural background.

Language Ability of Sender

Language ability refers to the ability to speak, read, listen and understand another culture’s language (Redmond 2000) and permits to communicate verbal messages (Li 1999). Communication effectiveness reflects the ability to interact and empathize with members of other cultures and, if necessary resolve occurring communication problems (Redmond 2000). Knowledge transfer in a context which implies a common language (verbal and non-verbal) increases the probability of understanding, but also the shared fund of knowledge and a shared system of meanings (Doz et al. 1997b). Therefore, language abilities of both, the individual in the subsidiary and the individual in the headquarter generally have to be satisfactory, because a lack in language ability may make even well codified knowledge inaccessible (Simonin 1999) and influence the codification process negatively.

The language ability therefore strongly influences the knowledge transfer process. The higher the language ability of the sender the more likely the sender will prefer to interact verbally and to talk directly to his or her counterpart. If the language ability is limited, the sender or receiver prefers to give more abstract statements, because this reduces the possibilities of misunderstandings.

Perceived Cultural Distance

The concept of cultural distance is trying to measure the extent to which different cultures are similar or different from each other and is applied to a multitude of research questions and has especially great impact in the area of foreign direct investment (Shenkar 2001). Concerning companies, it shows the degree to which the norms and the values of two firms differ because of their separate national characteristics (Williams et al. 1998).

Williams (1998) notes that the degree of cultural distance is considered one of the major obstacles in successful performance in cross-cultural business relationships (Williams et al. 1998). The main assumption is that the higher the cultural distance between cultures, the higher the likelihood that the worse the performance of foreign subsidiaries will be (Shenkar 2001). Johanson and Vahlen define cultural distance as the resulting factor of culture-based factors that impede the flow of information between the firm and its partners (Johanson et al. 1977). Cultural distance matters with regard to knowledge, because it raises barriers for understanding other members of the corporation (Simonin 1999).

Communication competencies vary by cultural distance (Kim 1988). The greater the cultural distance between people who are attempting to communicate effectively and thus the less consistent the communication environmentand the less effective the intercultural communication process (Griffith et al. 2001) and the knowledge transfer between individuals of a differing cultural background.
Cultural Influences on Knowledge Types Chosen

De Long and Fahey (2000) state the culture also shapes assumptions about which knowledge is important (De Long et al. 2000). “Cultures heavily influence what is perceived as useful, important, or valid knowledge in an organisation. Culture shapes what a group defines as relevant knowledge, and this will directly affect which knowledge a unit focuses on” (De Long et al. 2000).

Learning Style of Sender

Learning occurs as a result of the accumulation of knowledge (Sparkes et al. 2000). Knowledge is used through interpretation, which is the very process of making sense of the environment during action. This leads to new structures can emerge and be added to the existing ones (Dupouet et al. 2002). Learning refers to the insights, knowledge and associations between past actions, the effectiveness of those actions, and future actions (Fiol et al. 1985).

These processes are as most human actions undermined by national culture, therefore learning and teaching are processes that strongly influenced by the cultural background of the learner or teacher. People reared in different cultures learn to learn differently (Hall 1973). Classrooms and the people, who inhabit them, belong to cultures, into which they are socialized. School, too, is a microcosm, a subsystem within the overall cultural system (Biggs 1998).

The differences in learning styles become very evident when talking about knowledge management in organizations. For example, learning in Japanese Companies takes place via non-abstract forms. Training programmes are extensive, and life-long learning is part of the career of most employees who reach more elevated positions. Also the acquisition of knowledge from customers, suppliers, subcontractors, and competitors is critical, and resources and systems are directly geared to this purpose. The cultural propensity for listening, rather than talking, makes the acquisition as well as the implementation of knowledge effective (Hedlund et al. 1993).

These aspects are also influencing knowledge transfer between members of different cultural background. People teach or transfer knowledge in a different way according to their cultural learning styles. Differing learning styles may lead to miscommunication and inhibit successful knowledge transfer.

Cultural Openness

Cultural openness is a set of abilities and cultural knowledge, primarily based on past experience, which enables a person to engage in appropriate and meaningful interactions with people of divergent national and organizational cultures. People who develop a cultural openness also improve the overall cultural interaction (i.e. national culture adjustments over time due to the intercultural communication between relationship partners) (Griffith et al. 2001).

Enhanced cultural openness helps to develop a basic insight into their communications patterns (i.e. skills necessary for intercultural communication). Thus cultural openness leads to a more interactive communication between individuals from different cultural backgrounds and to higher communication competence. People who develop cultural openness also improve their skills necessary for intercultural communication and develop new ways of communication (Griffith et al. 2001).

The interviews conducted with experts support this view. One of the experts, working in the Japanese subsidiary of a German MNC states: “The first time I asked one of my Japanese
employees to do a finance table, it did not work very well. It took her two days to come to the conclusion to draw the tables with Excel, and which aspects to consider. Things (like the usage of Excel) that I was taking for granted, were not obvious to her at all. So I have started to give very detailed information on what I need and how the things are supposed to be done, to reduce the uncertainty of the orders.”

Cultural openness of the sender therefore strongly influences fluency of cross-cultural communication as well as the success of knowledge transfer. Communication will take place via a more explicit and procedural way to avoid uncertainties experienced before.

Successful Implementation of Knowledge

After the knowledge has been sent one unit, knowledge will be received and implemented at the receivers’ unit. Knowledge transfer in the context of this model implies successful knowledge transfer. Successful knowledge transfer refer transfer that results in the receiving unit accumulating or assimilating new knowledge (Zander 1991).

Success measures fall into two general categories: economic and personal outcomes. Since the sending process is a personal and individual process this paper focuses on subjective outcome variables, like perceived user satisfaction and usage of knowledge. This approach finds support in Probst and Romhardt (1997) who state that knowledge evaluation does not evaluate financial meanings of knowledge, but the degree by which knowledge management goals were achieved (Probst et al. 1997).

6. Concluding remarks

The premise of this paper is the development of a comprehensive model of cultural influence factors on the intra-company knowledge transfer process. The focus lies on codification, a process which is considered as the most important in knowledge flows and transfer as well as on the type of knowledge chosen to be sent to another unit. The model was constructed based on both, literature review and expert interviews.

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