

CHARACTERISTICS OF KNOWLEDGE MANAGEMENT IN MULTINATIONAL COMPANIES

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Abstract: Knowledge Management (KM) is necessary for the survival of the Multinational Companies (MNCs). Since they conduct business on a global scale they must be able to facilitate good communication among the subsidiaries to ensure that information is being shared. This paper examines the characteristics of KM in Multinational companies. Some of characteristics reveal that it is a continuous process and the support of top management for the KM initiatives is important, it is also used to improve the organizational performance and the use of new software or modern technology are also key features of KM. Additionally, this paper highlights how the existence of MNCs in the country benefits the host country. This is done with data from AMCHAM and the National Bank of Serbia, these sources provide information regarding the foreign direct investment in the country and how the MNCs operation relates to it. Additionally an examination of the literature is done which discusses how the flow of Knowledge is important in fostering innovation, the creation of new system, and the use of database and intranet in the MNCs. In order to provide the foundation for understanding the fundamental characteristics of knowledge management this paper examines the basic theories and theoretical issues of KM in the context of multinational companies. Including people centric, technology and tools as it relates to KM in MNCs. The Organizational KM theory that deals with the organizational structures and hierarchy and the Ecological KM theory which focuses on people and the relationships are also discussed. Each organization have different methods of internal knowledge transfer, therefore this paper addresses this along with highlighting the type of on-the job training methods that are used which supports the use of KM in explaining the flow of information in the MNC and its use in the subsidiary. The paper is exploratory in nature relying on the support of existing literature. The significance of knowledge management is an important factor in MNCs and the literature reveals that the MNCs and the host country benefit from KM.

Keywords: Knowledge Management, Multinational Companies, Subsidiaries

1. INTRODUCTION

Over the last decade Knowledge Management (KM) has been gaining attention and is becoming a common practice, especially among Multinational companies (MNCs). The onset of the technological era and the utilization of software in companies, artificial intelligence and the widespread use of the internet have facilitated the easy access and sharing of information. According to Davenport (1994) Knowledge Management is the process of capturing, disseminating and effectively using knowledge. It involves making the necessary information available to the right people, at the appropriate time. Since the nineties, a significant number of businesses throughout the world, especially multinationals, have been involved in this field and considers knowledge management as a way to improve performance (Giju, 2010). MNCs are large and operate businesses on a global scale, therefore they generally have more people to manage. Due to this and the fact that they conduct businesses across geographical borders it is necessary that they use knowledge management to generate the sharing and transfer of information within the company and among their subsidiaries. This increasing need to collaborate has created an environment for knowledge to be circulated within the company, making it easier for information and processes that was once privy to the headquarters of MNCs to be communicated and replicated in the host countries. MNCs are dominant players in research and development and wherever research is being conducted, knowledge is being amassed. As a result of the technological advancements, the host countries tend to benefit as they bring with them the most advanced technology, equipment and machinery. The learning and transfer of their skills and expertise among employees and subsidiaries is important as it has competitive capabilities. In order to provide the foundation for understanding the fundamental characteristics of knowledge management this paper examines the basic theories and theoretical issues of KM in the context of multinational companies.

2. KNOWLEDGE MANAGEMENT CHARACTERISTICS

An article shared by Raksha Talathi on Knowledge Management (KM) briefly describes some of the general features of KM which are discussed further in the literature.

- (i) KM is a systematic process; consisting of standardized procedures to collect, store, distribute and use knowledge.
- (ii) Knowledge is of two types – explicit and implicit. Explicit knowledge is visible information available in literature, reports, patents, technical specifications, communication with customers, suppliers, competitors etc. It can

be embedded in rules, systems, policies and procedures etc. of the organization. Tacit or implicit knowledge is personal knowledge residing in the minds of people as a result of their personal beliefs, values, perspectives and experience. There is a need for a learning organization for enhancement, sharing and utilization of tacit knowledge.

(iii) KM is a continuous process; as the world economy is dynamic and full of challenges. It requires constant creation of new skills and capabilities and improvement of existing ones.

iv) KM requires whole-hearted support of top management, to provide cultural and technical foundation for the origination and implementation of KM practices.

(v) The objective of KM is improvement in organizational performance; to enable the organization acquire, sharpen and utilize its competitive edge for survival and growth in the global economy of today.

3. THEORIES OF KNOWLEDGE MANAGEMENT

There are several theories behind Knowledge management. Sveiby (1997) in his paper on the New Organizational Wealth focused on issues relating to managing knowledge, he argued that knowledge is a limitless source for organizational wealth which is regarded as a resource that grows when it is shared. He further elaborated that it is not subject to the law of diminishing returns, and applies the principle of increasing returns to knowledge organizations. He defined two theories of KM. The first theory which entails executing and controlling of economic information; this knowledge consists of objects which can be identified economically and processed in information systems. The second theory he identified is knowledge management as it relates to managing people which he believes is equal to processes consisting of complex and dynamic human potential and behaviour. In the MNCs, continuous training and education at all levels is important because often times systems and processes must be modified or changed. Similarly, according to the framework of McGrath and Argote (2000) knowledge is embedded in three basic elements of the organization which includes; members, tools, and tasks. The Members are the human components of the organization, the Tools are the hardware and software and also the technological component that provides the avenue for the employees to access information. The Tasks reflect the organization's goals, intentions, and purposes. Other authors have also categorized knowledge management theories into other components such as organizational, ecological, and techno-centric (Rollet, 2003). Organizational KM theory places emphasis on the organizational structures and how it is designed as it relates to the culture and hierarchy. The Ecological KM theory relates to the knowledge population such as the staff. The techno-centric is based on information theory perspective in which knowledge is viewed as an entire unit that can be processed or handled by information systems. This involves the application of information systems by using relevant technologies such as Management Information systems, Groupware, Data Warehousing, etc. (Wyssusek, 2001). Similarly during the KM forum author, Denham Grey offers his opinion on KM, he believes that it complements and enhances other organizational initiatives such as total quality management (TQM), business process re-engineering (BPR) and organizational learning, providing a new and urgent focus to sustain competitive position (Knowledge Management forum,1996).

4. IMPROVING KNOWLEDGE USING INTERNAL EVENTS

An understanding of the different types of knowledge that is managed is crucial to explaining the internal events. As it relates to companies, knowledge can be categorized into two types; tacit and explicit knowledge. KM and organizational learning theory form the foundation for the interaction and relationship between these two types of knowledge. According to Awad and Ghaziri (2004), tacit knowledge is embedded in the human mind through experience and jobs; and explicit knowledge is codified and digitized and expressed in books, documents, memos, training courses etc. In essence tacit knowledge is the habits while explicit knowledge is the recorded information. Both types of knowledge exists and are necessary in the organization. Since employees are constantly changing their jobs, this knowledge can be lost if the employees with the expertise skills and knowledge leave the company. As it relates to the MNCs, if knowledge is not shared among employees and subsidiaries this can hamper the companies' level of progress. Alavi and Leider (1999) emphasizes that there is the need to integrate all types of knowledge in formal information systems, the use of knowledge management systems and the utilization of the latest technological advancements such as ; the use of Intranets, Extranets, Lotus, Data Warehouses, Software filters among others to enhance, and expedite intra- and inter-firm Knowledge management. Similarly the findings from a study conducted by (Abdelrahman et al., 2011) reveals that knowledge management systems (KMS) is often used to share best practices and knowledge with other subsidiaries of the MNC. Their research revealed that participants want KMS to be more interactive and easy to navigate so they can easily communicate and collaborate with colleagues using an interface that is similar to social media and a mobile application to foster faster communication with their colleagues. They also suggested the use of internal media broadcasting like TV and Radio inside the MNC where work related news can be broadcasted to keep them updated in addition to the interconnection of KMS in the subsidiaries to allow synchronization.

Knowledge in the MNCs can be found in many different places, such as internal publications, databases, their employees, team building, mentoring and coaching, seminars etc. DeCouza & Robbins (1996) highlighted some of the on-the-job training methods that are commonly utilized which are summarized below;

I. Coaching: This is where the trainee works directly with a senior personnel or work closely with the person he or she will be replacing so as to learn the responsibilities of the new position (Dessler, 2005).

II. Mentoring: This is a process whereby a more experienced employee known as the mentor provides work related guidance and assistance to a less experienced employee most times referred to as a protégé. Often times this protégé is a new recruit or an employee that is learning a specific job function for the first time (Robbins & Coulter, 2012). It is common knowledge that mentoring provides benefits to the mentee in the form of career and psychological support.

III. Job Rotation: a variation of job enlargement in which employees are given the opportunity to work on a variety of specialist positions for a specific period. It is a way to proactively improve their work experience for advancing their careers (Nelson & Quick, 2010). Job rotation has been proven to be related to employees' promotion rate and acquisition of skills. However, it may have adverse effects as it become challenging for employees to develop functional specialties because less time is spent in a specific position. Conversely, higher level management may find job rotation more beneficial as they are given the opportunity to acquire experience that prepares them for top managerial positions within the organization (Noe, 2013).

IV. Apprenticeship: This is a structured process in which employees gain more skills and become more efficient at their jobs through the application of classroom instruction and on- the-job training (Dessler, 2005). A common advantage of this method is that it gives the trainee the necessary work experience while earning a salary and once the apprentice period is successfully completed it may result in full time employment for trainees within the company.

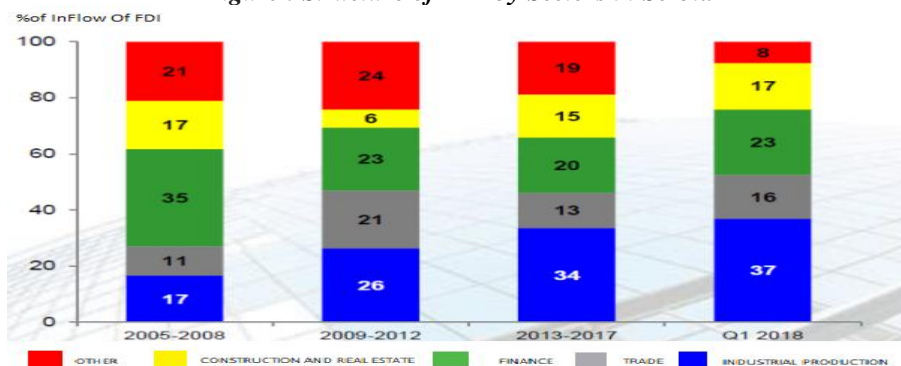
Samuel (2015) revealed that there is a lack of communication between MNCs and industries providing training and development. Therefore there is a need for the MNCs to connect with training institutions through industry-based learning programmes. Another challenge that he highlighted was that the MNCs were faced with the challenge of retraining their employees after having undergone training earlier. However it was discovered that the use of the internet was an effective tool used to disseminate information between the head office and its subsidiaries. The utilization of new technologies such as e-learning and teleconferencing were seen as ways to minimize some of the difficulties that the MNCs encountered while undergoing training and development of its workforce.

5. AMERICAN MULTINATIONAL COMPANIES DATA INCLUDING SERBIA

Over recent years Serbia has attracted some well known Multinationals, some of these companies include subsidiaries of American companies. Since the operation of MNCs is closely monitored by the government of the host country, it is therefore important for them to address any government concerns so as to prevent any interference relating to the transfer of knowledge from the headquarters to the subsidiaries. The control is done by the government through the General Agreement of Trade and Services (GATS) to protect the smaller local firms. It lays out the rights in which the authority can be imposed on the MNCs which can restrict the flow of professionals sent to the host countries. However, the American multinationals are known to be well accepted by their host countries since they foster a global environment of knowledge transfer and technological advancement.

There are huge foreign investment opportunities for MNCs in Serbia in which American multinationals is among the biggest and own some of the world's most modern technology and software such as Apple Inc, Coca Cola company and Microsoft to name a few.

Figure : Structure of FDI by Sectors in Serbia



Source: NBS, September 2018

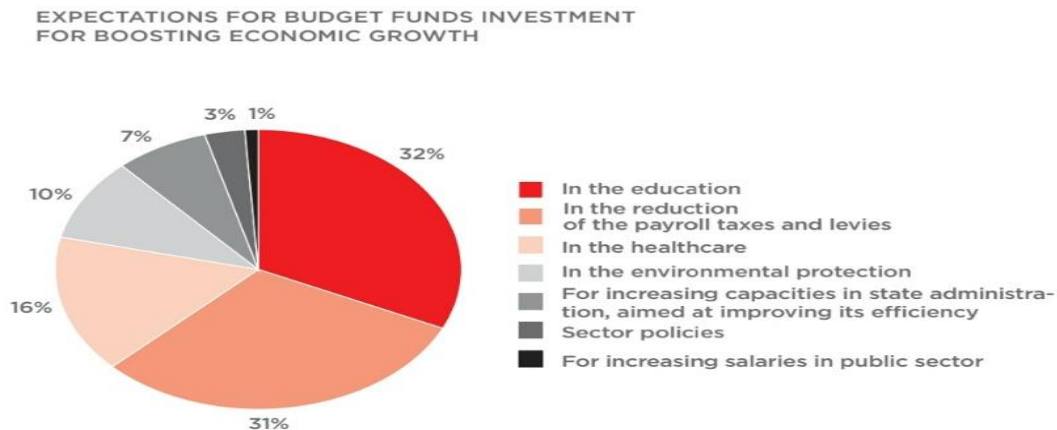
The bar chart depicts the foreign direct investments (FDI) by sectors over four quarters.

Based on the bar chart above it is evident that over the past 5 years, FDI has been increasingly present in the field of industrial production. Within this sector, FDI in the automotive, chemical, pharmaceutical, metal, rubber and plastic manufacturing and manufacturing industries are particularly prominent. With the creation of a better business climate, a further inflow of FDI is expected, especially in the area of information technology (IT). This is due to governmental incentives and the aspiration of global companies to expand their business in this sector. Serbia's Foreign Direct Investment (FDI) increased by 292.2 USD mn in Sep 2019, compared with an increase of 293.7 USD mn in the previous month (National Bank of Serbia report, 2019).

One of the excerpts from a foreigner in the AMCHAM Serbia report interview highlights titled “The Sixth Lap Time Unlocking The Reforms,” it was stated that there is the need for more flexibility for foreign nationals in Belgrade if the country wants to be a regional center for Multinational Corporations (AMCHAM Serbia, 2018). Educating the employees was also a focal point of this report as the report also mentioned that there is the need for multilingual employees since it will enable faster learning which can be passed on to others. They also believed that there should be a revision of the education system so children are taught digital skills and be introduced to technology at an early age which is necessary to adapt to the changes and equip young people with the skills necessary so the labourforce in Serbia can become attractive to foreign companies.

Below are some of the expected changes that will be made to the budget to improve investment in Serbia in an attempt to boost economic growth.

Figure 2



Source: AMCHAM Serbia, 2018

The pie chart below depicts the budget expectations for budget funds investment for boosting economic growth in Serbia.

From the pie chart above, it can be seen that the majority of the budget will go towards education and the reduction of payroll taxes and levies 32 percent and 31 percent respectively. While less than half of the investment will go towards healthcare, environmental protection, for increasing capacities in state administration, sector policies and the least 1percent for increasing salaries in public sector.

A study conducted by Wai Ling et al (2009) on Knowledge sharing in an American multinational company (MNC) based in Malaysia examined the views of executives working in the MNC about knowledge sharing, barriers to knowledge sharing, and strategies to promote knowledge sharing. The findings revealed that there was a general consensus of agreement by the majority of the respondents that there is a knowledge sharing strategy and an increasing awareness of the benefit of knowledge sharing in the organization. While the minority, 22 percent disagreed with the statement that knowledge sharing is important to the organization. Subsequently, 27 percent of the respondents were unwilling to participate in knowledge sharing. The study also revealed that connecting rewards and performance appraisal was the most effective method to promote knowledge sharing. A common tool that is often used in knowledge management includes the company’s intranet which is used to store information relating to the company, utilized in making announcements and facilitate communication with employees. This process of making the information available encapsulates KM. Similarly, a study conducted on the influence of training and

development programs in Coca Cola Serbia provides evidence of the use of knowledge management by highlighting the different avenues of sharing information in the company, the study revealed that there were different ways of fostering the sharing of information as it related to their awareness of the training and development programs. This study also pointed out that information from Coca Cola publications and from other employees were the main methods of awareness, the majority of the respondents, 60.38 percent were informed of the programs by interacting with other colleagues. Also, the majority participated in a combination of mentoring, coaching or job rotation, and participation in special projects was 23.5 percent (Wilson, 2019).

6. CONCLUSION

After examining the literature, it can be concluded that there are specific methods that enhance knowledge management, also the nature of the knowledge in MNCs differ from other companies because they are larger in size and they operate in different countries. Therefore sharing and transferring of knowledge is company specific to ensure that all subsidiaries are using similar practices, machinery and software and doing the same thing. When an employee discovers new knowledge, or implement a new method of doing a particular task these instructions could be documented and replicated in the other units. There are some knowledge management characteristics that need to be present for the company to operate as a coordinated multinational network. These include the KM systematic process, explicit and implicit knowledge management etc. Also, knowledge in the MNCs can be found in many different places, such as internal publications, databases, their employees, team building etc., it was also revealed that participants want KM systems to be more interactive so that they can easily communicate and collaborate with colleagues using an interface that is similar to social media to improve communication. The data also revealed that there are foreign investment opportunities for MNCs in Serbia in which American MNCs are included. Additionally, it was proposed that the education system need to be revised to enable changes to be made and to improve the skills necessary so the labourforce in Serbia can become attractive to foreign investors. The literature revealed that connecting rewards and performance appraisal was the most effective method to promote knowledge sharing. A common tool that is often used in knowledge management includes the company's intranet which is used to store information, make announcements and facilitate communication with employees.

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