Knowledge Management: Standardization vs. Adaptation in MNCs

A qualitative study about how MNCs can manage knowledge effectively in terms of standardization and adaptation.

Uppsala University
Department of Business Studies
Bachelor Thesis 15hp
Autumn Semester of 2011
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2012-01-09
Abstract – It is necessary for multinational corporations (MNCs) to manage their knowledge flows effectively in order to gain or maintain competitive advantage. The knowledge management (KM) process needs to be cost effective, which can be achieved through a standardized “one-size fits all” strategy. Some scholars argue that a standardized KM strategy is not possible in international KM, since countries are different and cultural differences makes it necessary to adapt the KM strategy with regard to different cultures. It becomes a question about standardization versus adaptation of KM. This study aims on describing the factors affecting international KM and thereby whether it is appropriate to standardize or adapt international KM. The empirical findings in this study derive from qualitative interviews with internationally experienced managers at three MNCs with subsidiaries spread over the world. By studying different factors that affect KM, it is shown that the MNCs mainly benefit from standardized KM strategies.

Keywords: Knowledge management, Standardization, Adaptation
Acknowledgments

This thesis would not have been possible without the support of several helpful individuals. Notable among those is my supervisor Olivia Kang, who has offered tremendous competence and guidance within the subject of knowledge management and also when it comes to writing a thesis at bachelor level. Additionally, I would like to show my appreciation to the managers at EMI, Grant Thornton, and MNC3 (anonymous) for their participation and valuable insights about knowledge management within multinational corporations. The author would also like to convey thanks to the library personnel at Uppsala University who assisted in finding relevant literature. Lastly, gratitude is shown to friends, family, and also my former teacher at State University of New York, New Paltz (SUNY) who have engaged time in proofreading.
Table of Content

Introduction.....................................................................................................................6

Literature Review ...........................................................................................................8

Knowledge Management ............................................................................................... 8
Standardization in KM ................................................................................................. 9
Adaptation in KM ......................................................................................................... 10

Seven Factors Affecting KM ....................................................................................... 11
  Factor 1: Headquarter Control Mechanisms .............................................................. 11
  Factor 2: Organizational Structure ............................................................................ 12
  Factor 3: Knowledge Processes ................................................................................. 12
  Factor 4: Knowledge Sharing ................................................................................. 12
  Factor 5: Communication ......................................................................................... 13
  Factor 6: Learning Intent ......................................................................................... 13
  Factor 7: Performance Measurement ....................................................................... 14

Performance Outcomes of KM .................................................................................. 15

Summarizing Literature Review .................................................................................. 16

Method ......................................................................................................................... 16

The Interviews .............................................................................................................. 17

The Interviewees .......................................................................................................... 17

Data Analysis .............................................................................................................. 18

Operationalization of Variables .................................................................................. 18
  Factor 1: Headquarter Control Mechanisms .............................................................. 18
  Factor 2: Organizational Structure ............................................................................ 19
  Factor 3: Knowledge Processes ................................................................................. 19
  Factor 4: Knowledge Sharing ................................................................................. 19
  Factor 5: Communication ......................................................................................... 20
  Factor 6: Learning Intent ......................................................................................... 20
  Factor 7: Performance Measurement ....................................................................... 20

Analysis and Empirical Findings ................................................................................ 20
  Factor 1: Headquarter Control Mechanisms .............................................................. 21
  Factor 2: Organizational Structure ............................................................................ 22
  Factor 3: Knowledge Processes ................................................................................. 22
  Factor 4: Knowledge Sharing ................................................................................. 23
Factor 5: Communication ................................................................. 24
Factor 6: Learning Intent ................................................................. 25
Factor 7: Performance Measurement ............................................... 25
KM Performance Outcomes............................................................ 26

Conclusions and Discussion .......................................................... 28
Managerial Implications ................................................................. 29
Suggestions for Further Studies ....................................................... 29

References ..................................................................................... 31

Appendix 1 ..................................................................................... 36
Introduction

Knowledge flows across different organizational units are fundamental for organizations’ success (Hedlund, 1994; Kogut & Zander, 1993). Knowledge management (KM) can lower uncertainties and unnecessary costs, which can arise from making wrong decisions (Ang & Massingham, 2007). Being effective in cross-border KM is increasingly critical as competition among multinational corporations (MNCs) intensifies. Making right decisions in KM becomes central when gaining and maintaining competitive advantage for MNCs (Bhagat et al., 2002).

The rising interest in KM emerged in the 1990s when the resource-based view declared knowledge as an organization’s most valuable strategic resource (Grant, 1996; Zack, 1999). Early research on KM focused on the factors affecting knowledge creation and knowledge transfers and also suggested a standardized “one-size fits all” KM approach for organizations (see Nonaka & Takeuchi, 1995; Szulanski, 1996; Simonin, 1999). Knowledge creation and knowledge transfer are considered to be the most important strategic KM sub-processes (Von Krogh et al., 2000); therefore “creation and transfer” are the two areas of focus when KM is mentioned in this study. Scholars have started to question whether standardization of international KM always is appropriate or whether there might be conditions that imply adaptation to local markets instead (see Holden, 2001; Zhu, 2004; Pauleen & Murphy, 2005).

The decision about whether to standardize or adapt KM in international business is important because it influences how the firm will behave in business and how it competes on the international market (Ang & Massingham, 2007). The authors suggests that the decision axes on whether there are pressures for cost reduction, which goes hand in hand with standardization, versus the pressures for market responsiveness, which requires adaptation instead (Ang & Massingham, 2007).

This study is founded in Ang and Massingham’s (2007) article regarding national culture and the standardization versus adaptation decision of international KM. Proponents of standardized management argue that human needs do not differ between countries and claim that adaptation to national culture is costly and might not be profitable (see Levitt, 1983; Yip, 1995). Proponents of adaptation on the other
hand, argue that cross-cultural management requires a flexible business model that adjusts to the needs of the local markets (see Lemak & Aruthanes, 1997).

Some researchers have found no evidence that national culture affect KM (see Simonin, 1999; Gupta & Govindarajan, 2000) and argue that adaptation of KM practice should be seen as inappropriate adaptation, that actually decreases the effectiveness of KM due to increased management costs (Jensen & Szulanski, 2004). The authors argue that adaptation requires a flexible management model, which does not go hand in hand with the profits gained when managing in an economies of scale manner. Administering through a standardized KM model throughout an MNC leads to economies of scale and lowered costs according to Jensen and Szulanski (2004). However, there are researchers who have found empirical evidence that differences in national culture do affect KM e.g. Voel and Han’s (2005) study discovered differences in the willingness of sharing knowledge between Chinese and American nationals. Another study showed that the diversity of cultures in South African companies created barriers in knowledge sharing (Finestone & Snyman’s, 2005). Altogether, research has shown to be opposing when it comes to the influence of national culture on KM (Ang & Massingham, 2007).

In this paper, factors affecting KM and thereby standardization and adaptation decisions, will be explained through interviews with managers in three different MNCs. All the MNCs represented are MNCs with subsidiaries spread all over the world. The purpose of the study is to describe how the factors affecting international KM can lead to appropriate decisions regarding standardization and adaptation within MNCs. This is relevant both for academics and practitioners, due to the contradictions in earlier research regarding standardization versus adaptation and also in order to find out how managers can manage knowledge effectively in international environments and gain or maintain competitive advantage. Furthermore, this study is a contribution to the limited research on the field of explaining standardization and adaptation in international KM (Ang & Massingham, 2007).

This paper is an explanatory study of the factors affecting KM, leading to appropriate standardization and adaptation in international KM. In the following part the concepts of: knowledge management, standardization, and adaptation will be described. A
description of seven factors affecting KM will follow as well as the possible KM performance outcomes in regard to standardization and adaptation. In the method and data section, methodology and operationalization of variables are conducted. The empirical findings consist of interviews with managers at three different MNCs. Conclusions about the findings and limitations will be discussed at the end, and managerial implications as well as recommendations for further studies will be presented.

**Literature Review**

In order to understand KM standardization and adaptation in MNCs we need to fully understand the concepts of *knowledge management, standardization and adaptation*. The following section will provide a background to these concepts. Furthermore, a description of *seven factors* affecting international KM, also leading to standardization and adaptation decisions will be provided as well as the possible *KM performance outcomes*. A conceptual model appropriate for describing the seven factors affecting KM standardization and adaptation is illustrated, as well as a model illustrating the outcomes of standardization versus adaptation decisions.

**Knowledge Management**

Research in KM have focused on two key areas: first the identification of valuable knowledge resources as a source to competitive advantage and differentiation; secondly, the advantage created through the process of managing these resources. Researchers from the resource-based view have not managed to parameterize the resource value variable (see Priem & Butler 2001), which has led to limitations in the progress of identifying valuable knowledge resources. Although, researchers seem to have accepted the value of knowledge as a strategic resource and moved on to question how to manage it (Ang & Massingham, 2007).

The definition of what a KM process constitutes has varied (see Kikawada & Holtshouse, 2001; Tiwana, 2002; Bergeron et al., 2003). KM can be described as an extensive activity that begins with the identification of a problem and involve up to as many as eleven further steps, before it ends up with knowledge archiving. The
evaluation and effectiveness of this process has been limited, particularly in international business, why the main focus has been on knowledge creation and transfer instead (Ang & Massingham, 2007). In line with previous research, this study focuses on the knowledge creation and transfer process by following Massingham’s (2004) model labelling KM as an activity, and knowledge creation and knowledge transfer as sub-process of KM.

**Standardization in KM**

A standardized approach means a “one size fits all” approach. One of the main reasons for standardization comes from the pressure of producing in an “economy of scale” manner, which means decreasing the unit cost of production (Ang & Massingham, 2007).

Winter and Szulanski (2001), Jensen and Szulanski (2007) have performed theoretical and empirical studies, which indicate that adaptation to local environment with regard to culture is ineffective and the researchers favour standardization instead. Scholars have also tested the effects of culture on KM (see Simonin, 1999; Gupta & Govindarajan, 2000; Jensen & Szulanski, 2004) and questions whether it is effective for organizations to spend resources on adapting to culture. The proposition is instead to manage knowledge through standardized systems of routines and guidelines (Jensen & Szulanski, 2004). The authors’ study on adaptation of cross-border organizational practice failed to show that cultural distance has an effect on knowledge transfers when:

1. Routines are complex and results in unexpected negative interactions when aspects of the routine are adapted simultaneously
2. Routines are uncertain, which results in an incapability to predict the aspects of the routine that can be adapted without making the routine less effective
3. The inability for local environments to understand standardized routines makes an interaction more harmful
4. Original routines cannot be used as tools to identify problems since adaptation often requires significant changes
5. Standardized routines provides economies of scale, something that adaptation diminishes

Furthermore, the scholars even stated the saying “inappropriate adaptation” emphasizing that adaptation of KM to national cultures are unsuitable when managing knowledge within MNCs (Jensen & Szulanski, 2004).

**Adaptation in KM**

Adaptation on the other hand means having a different approach in different markets due to market responsiveness, coming from national culture differences (Ang & Massingham 2007). One of the first researchers on culture defines culture as, “the collective programming of the mind that distinguish one group or category of people from another” (Hofstede et al., 2010).

Hofstede’s (1993) cross-cultural research shows that the management process may not be universal and Nakata and Sivakumar’s (1996) research shows that culture differences influence the standardization versus adaptation decision in management. Accepting this would imply that differences in national culture would propose adaptation instead of standardization in KM. The importance of linking activities with strategy and resources is the key in understanding the impact of culture in knowledge management (Ang & Massingham, 2007).

Lately, a numerous of scholars have started to argue that adaptation is essential for international KM (see, Holden, 2001; Zhu, 2004; Pauleen & Murphy, 2005). Holden (2001) is critical to the earlier literature and believe that it compromises features like language, cultural and ethnic background into one independent variable, which becomes pushed aside. Zhu (2004) imply that, “a universal concept of knowledge management is unrealistic, counterproductive and undesirable”, due to differences in histories, cultures, and institutional forces. Pauleen and Murphy (2005) continue by saying that it is almost naive to say that culture do not affect KM. They suggest that models, which exclude the influence of national culture undercut their potential and thereby their effectiveness. Voel and Han (2005) found evidence that differences in national culture do affect how organizations share knowledge. The study found
differences in the willingness of sharing knowledge between Chinese and American nationals, where Chinese nationals were more positive towards knowledge sharing.

**Seven Factors Affecting KM**

The decision whether to standardize or adapt management have shown to come down to the pressures for cost reduction versus market responsiveness in other business management areas, e.g. marketing (Ang & Massingham, 2007). In order to find out whether it is appropriate with standardization or adaptation in KM, we need to know which factors that actually affect KM. Ang and Massingham (2007) summarized many scholars research in KM and concluded a list of factors that affect KM. In line with earlier scholars’ research on KM (see Nonaka & Takeuchi, 1995; Szulanski, 1996; Simonin, 1999; Ang & Massingham, 2007): this study focuses on the earlier common factors studied. The seven factors are: headquarter control mechanisms, organizational structure, knowledge processes, knowledge sharing, communication, learning intent, and performance measurement. Ang and Massingham (2007) further suggested that if national culture differences do not affect these factors, a standardized KM performance strategy would be appropriate. On the other hand, if national culture differences do affect the factors, an adapted KM performance strategy would be appropriate instead (Ang & Massingham, 2007).

**Factor 1: Headquarter Control Mechanisms**

The form of ownership and headquarter control will have different effects on the KM process. A wholly owned subsidiary will provide the parent company with control of recruiting and training of the employees and thereby the control of knowledge transfers (Buckley & Carter, 2004). Two types of headquarter control mechanisms are identified to have effectiveness on knowledge transfer: the control mechanism, which evaluates the performance of the subsidiary; and social control mechanisms, which facilitates the development of interpersonal ties in MNCs (Bjorkman & Barner-Rasmussen, 2004). Headquarter control imply standardization while subsidiary autonomy evolving from national culture differences, would imply adaptation in KM.
Factor 2: Organizational Structure
Nonaka and Takeuchi (1995) identified two organizational structures: the bureaucracy and the task force organization. The bureaucratic organization is highly formalized, specialized, and centralized: suitable for organizations in stable environments. The task force organization is structured so that it can defeat the weaknesses of the bureaucratic organization. This makes the task force organization more flexible and adaptable in order to support knowledge creation instead of creating barriers. Following the reasoning from Ang and Massingham’s (2007) study, a MNC containing only bureaucratic subsidiaries, would benefit from a standardized KM strategy. A MNC containing only task force subsidiaries, or a mixture of bureaucratic and task force subsidiaries, as a result from differences in national culture, would benefit from an adapted KM strategy.

Factor 3: Knowledge Processes
KM strategies can be divided into survival and advancement strategies. Survival strategies incorporate the maintenance of existing success and improved performance while advancement strategies emphasis on future success and improved performance. The big difference between the two strategies is that the knowledge transfer process is considered to be the most important knowledge process when using a survival strategy, while knowledge creation is more important for organizations using an advancement strategy. This affects the view of where the source to KM competitive advantage is located (Von Krogh, et al., 2000). Darr and Kurtzberg (2000) suggest that if subsidiaries are strategically similar and standardized, they will find it easier to develop social ties and share knowledge more effectively with each other. If the strategies differ among the MNCs’ subsidiaries with regard to national culture, an adapted KM strategy would be appropriate (Ang & Massingham 2007).

Factor 4: Knowledge Sharing
Relationships and shared contexts affect the KM process. A formalization of networks facilitates the process of creating knowledge (Dhanaraj & Beamish, 2004; Nonaka et al., 2000). A flat organizational structure with information network, personnel rotation, and a diverse pool of talents: is said to be effective for knowledge sharing (Nonaka et al., 2000). Differences in the participation between subsidiaries to share
knowledge would require an adapted KM strategy while conformity in participation would suggest standardization (Ang & Massingham 2007).

**Factor 5: Communication**

Organizations should also focus on transferring people (expatriation) across international subsidiaries in order to exchange knowledge since knowledge is embedded within people tools and routines (Cummings & Teng, 2003). Another way of communicating internationally occurs through the usage of technology. The knowledge process has shown to often involve technology e.g virtual meetings, and email. Technology has increased the possibility of spreading sufficient knowledge quickly but it can also be harmful in the sense that it can intensify the communication among certain people and organizations while it diminishes the communication among others (O’Dell & Jackson Grayson, 1998). Equal participation from all countries in knowledge sharing is required for standardization while adaptation is preferable if some countries are not equally able to participate relative to national culture differences (Ang & Massingham, 2007).

**Factor 6: Learning Intent**

Organizations with higher learning intent would be more effective in the knowledge transfers (Simonin, 2004). Knowledge sharing is known to become more effective when using standardized reward systems. If partners do not have incentives to share knowledge, they would want to protect their own knowledge (Simonin, 2004). Davenport et al. (1998) imply that a knowledge friendly culture increases the chances of knowledge being shared. A knowledge sharing culture would reflect people who are positive towards sharing and sees knowledge as desirable. Knowledge that is expected to increase organizations’ competitiveness is more likely to be acquired by the recipient (Pak & Park 2004). If subsidiaries are equally willing to learn and share knowledge, a standardized KM strategy is beneficial, while a difference among national cultures to learn and share would imply adaptation (Ang & Massingham, 2007).
Factor 7: Performance Measurement

O’Dell and Jackson Grayson (1998) imply that there is a difference between western and eastern cultures when it comes to performance measurement, which also affects KM. Western cultures tend to be more positive towards quantitative performance measurement methods compared to eastern cultures, which also affects the effectiveness of standardization and adaptation. Differences in the view on performance measurement, among subsidiaries deriving from different national cultures, would benefit from an adapted KM strategy while a corresponding attitude towards performance measurement would benefit from a standardized KM strategy.

Figure 1: Seven factors affecting international KM standardization vs. adaptation
Performance Outcomes of KM

Ang and Massingham (2007) suggest a framework for dealing with the tensions involving cost reduction (standardization) and market responsiveness (adaptation) in KM. Standardization is preferred when the pressures for economies of scale are high and pressures for cultural awareness is low. Adaptation on the other hand is appropriate when pressures for cultural responsiveness are high and the pressures for economies of scale are low.

Existing studies have identified four possible outcomes of a firm’s decision regarding standardization versus adaptation within international KM. As shown in figure 2, the outcomes identified are: success and standardization, failure and standardization, success and adaptation, and failure and adaptation (Ang & Massingham, 2007).

Figure 2: Outcomes of standardization vs. adaptation decision in international KM

The performance outcome of adaptation decision in KM that considers the need for market responsiveness would represent the top box to the left. The saying proposed by Jensen and Szulanski (2004) “inappropriate adaptation” would characterize the left box below and thereby represent an ineffective management strategy. A decision to standardize KM where cultural differences do not interfere is presented in the top box.
to the right. The right box below characterizes standardization in KM when cultural differences incorrectly are being neglected (Ang & Massingham 2007).

**Summarizing Literature Review**

Figure 1 represents the seven above-mentioned factors that affect KM within MNCs and thereby leads to standardization vs. adaptation decisions. If MNCs are not affected by national culture differences relative to each factor, standardization relative to the factor should be effective. But on the other hand, if national culture differences contribute to diverse working methods in regard to the mentioned factors: adaptation relative to each factor would be more effective. Furthermore, four different types of KM performance outcomes are possible for MNCs: adaptation and success, adaptation and failure, standardization and success, and standardization and failure.

**Method**

The study aims on explaining the factors affecting KM and thereby appropriate standardization and adaptation decisions in MNCs’ international KM. The focus of the study is in line with previous research on the area, why the seven factors affecting KM are investigated. This is relevant since KM is a source to competitive advantage why managers need to manage knowledge flows effectively.

I have chosen to perform non-standardized interviews with present managers at three Swedish MNCs, in order to explain the factors affecting international KM and thereby standardization and adaptation decisions. Non-standardized interviews can either be characterized by unstructured interviews or semi-structured interviews. Saunder's et al. (2009) suggests that semi-structured interviews are preferable when conducting an explanatory study as with this study. The semi-structured interviews will make it possible for me to ask thematic questions with follow-up questions. This will allow the interviewees to develop answers further and thereby give a comprehensive picture.

Given the research question, managers with international knowledge management experience and international subsidiary knowledge within MNCs, are interviewed. A
deductive approach is used by constructing questions from the theory review in order to get answers to the research question.

**The Interviews**

Three interviews were conducted in total, two face-to-face and one long distance telephone interview to the USA. The face-to-face interviews lasted for approximately 60 minutes and the telephone interview for approximately 20 minutes. All the interviewees were aware of the topic of the interview before the interviews were conducted, so that they could prepare and think about the research topic.

There is a risk for interviewer bias when conducting any type of interview. Bias means that the interviewee may answer differently depending on how the question is asked in regard to: comments, tone, or non-verbal behaviour. The interviewer could impose an opinion or belief, which might affect the answer of the interviewee (Saunders et al., 2009). I aimed on avoiding this by focusing on tonal language and body language when asking questions to the respondents. Practice interviews were conducted before the actual interviews in order to discover and eliminate bias factors.

All the interviews were recorded in approval with the interviewees. Notes were also taken since there always is a risk for misunderstandings and misinterpretations. The interviews were transcribed within 24 hours in order to get reliable data.

I am aware of that only accessing three managers will only provide an idea of how the standardization and adaptation process is conducted within MNCs. The small amount of interviews cannot verify how MNCs deals with the factors affecting KM standardization and adaptation in general. However interviewing experienced key managers at widespread MNCs will give an idea about how successful MNCs deal with standardization and adaptation in international KM.

**The Interviewees**

Respondent 1 is Head of Marketing at the multinational record label EMI, located in over 50 countries (EMI, 2011). Respondent 2 is the Director of International Business, at the global accounting and consulting organization Grant Thornton,
located in over 100 countries (Grant Thornton, 2011). Respondent 3, who I conducted a telephone interview with, is Head of Mergers and Acquisitions at a multinational consulting agency located across 120 countries. Respondent number three wishes to participate anonymous in this study why the MNC name has been excluded. The interviewees were accessed by snowball sampling, which is commonly used when it is difficult to identify appropriate members in an organization (Saunders et al. 2009). Initial contact with the MNCs were done through email and telephone, where I asked to come in contact with international experienced employees, with great know-how about the MNC subsidiaries in general. The initial contacts guided me further to Respondent 1, 2 and 3 who all fulfil the mentioned requirements.

**Data Analysis**

I provided the interviewees with a sample of my study after the interviews, in order for them to confirm that a correct transcription of the interviews had taken place. This was also done in order to diminish misunderstandings and misinterpretations. Afterwards, I looked for patterns and deviations to get a clear picture on how the standardization and adaptation process proceeds in MNCs. Finally; the empirical data was analysed in conjunction with the theories from the Literature Review.

**Operationalization of Variables**

The questions asked to the interviewees originate from the Literature Review. The following section will present an operationalization of the variables, which means that the variables will become measurable. The questions asked during the interviews are presented in Appendix 1.

**Factor 1: Headquarter Control Mechanisms**

The form of ownership and headquarter control will have effect on the KM process. A wholly owned subsidiary will provide the parent company with control of recruiting and training of the employees and thereby the control of knowledge transfers (Buckley & Carter, 2004). To find out whether standardization or adaptation is appropriate, questions were asked regarding the autonomy of the subsidiaries and headquarter control mechanisms used within the MNCs.
Factor 2: Organizational Structure
Nonaka and Takeuchi (1995) identified two organizational structures: the bureaucracy and the task force organization. The bureaucratic organization is highly formalized, specialized, and centralized while the task force organization is more flexible and adaptable in order to support knowledge creation instead of creating barriers. To find out whether standardization or adaptation is appropriate, questions were asked whether all the subsidiaries are either bureaucratic or task force, or a mixture between the two.

Factor 3: Knowledge Processes
Knowledge process factors affect the KM process and thereby the outcome of standardization and adaptation (Ang & Massingham, 2007). Dixon (2000) proposed three questions that should be asked in order to investigate the knowledge process: 1. Who is the recipient of knowledge in terms of similarity and context? 2. How frequent and routinized is the task? 3. What type of knowledge is being transferred? To find whether standardization or adaptation is appropriate, questions were asked whether the managers’ contact is equally frequent and routinized with all subsidiaries; if the recipients of knowledge share the same positions at different subsidiaries; and also whether the same type of knowledge is transferred between managers at different national subsidiaries.

Factor 4: Knowledge Sharing
Relationships and shared contexts affect the KM process. A formalization of networks facilitates the process of creating knowledge (Dhanaraj et al., 2004; Nonaka et al., 2000). A flat organizational structure with information network, personnel rotation, and a diverse pool of talents: is said to be effective for knowledge sharing (Nonaka et al., 2000). To find out whether standardization or adaptation is appropriate, questions were asked regarding the existence of international meetings and the participation and relations between subsidiaries.
Factor 5: Communication
Organizations should also focus on transferring people (expatriation) across international subsidiaries in order to exchange knowledge since knowledge is embedded within people, tools, and routines (Cummings & Teng, 2003). Another way of communicating internationally occurs through the usage of technology. The knowledge process has shown to often involve technology e.g virtual meetings, and email. To find out whether standardization or adaptation is appropriate, questions were asked regarding the involvement of all subsidiaries in terms of the usage of expatriates, job rotation, and the usage of technology.

Factor 6: Learning Intent
Organizations with higher learning intent would be more effective in the knowledge transfer (Simonin, 2004). Knowledge sharing is known to become more effective when using reward systems. To find out whether standardization or adaptation is appropriate, questions were asked regarding the usage of reward systems throughout the MNC.

Factor 7: Performance Measurement
O’Dell and Jackson Grayson (1998) imply that there is a difference between western and eastern culture when it comes to performance measurement, which also affects KM. Western cultures tend to be more positive towards quantitative performance measurement methods compared to eastern cultures. To find out whether standardization or adaptation is appropriate, questions were asked regarding the willingness among the subsidiaries to use performance measurement methods.

Analysis and Empirical Findings
The respondents all represent Swedish managers with weekly or daily international business contact at leading MNCs. This section will represent findings from the interviews and relate them to the Literature Review chapter. Respondent 1 is working at the record label EMI (MNC1). Respondent 2 is working at the accounting agency Grant Thornton (MNC2). Respondent 3 is working at a consultant agency represented in 120 countries (MNC3).
Factor 1: Headquarter Control Mechanisms

In common for all three of the MNCs are that they have their headquarters placed in Europe, but they do not consider themselves to be controlled by the headquarters. Although when questioning further, the MNCs are using headquarter control mechanisms in line with Bjorkman and Barner-Rasmussen (2004), which evaluates subsidiary performance and also interpersonal ties. Respondent 1 explained that the subsidiaries are being financially evaluated as well as evaluated on their relationships with different people throughout the organization. This is done through a system of “direct and dotted lines” to different people, and the system is standardized throughout the entire MNC. Respondent 2 illustrated an organizational chart with different departments and units that characterized the entire MNC. The accounting agency, MNC2, is forced to standardization by regulation and laws.

“Knowledge and competences need to be offered at each subsidiary why standardization is necessary”

Respondent 2 – Grant Thornton

Respondent 3 working at the consulting agency did not think that the MNC3 headquarter had a large impact on how knowledge is spread throughout the organization, although he did believe that that they had a standardized way of working with KM. MNC3 is divided into five different industrial dimensions that are spreading knowledge between them.

“Our HQ is placed in Ireland, but our industrial dimensions are much stronger when it comes to KM rather than the geographical dimensions”

Respondent 3 – Consulting Agency

Ang and Massingham (2007) suggested that an adapted approach is preferable if national cultural differences affect the view on control mechanisms. None of the Respondents declared that national cultural differences affected the view on control mechanisms and they are all using control mechanisms at all subsidiaries within the MNCs. A standardized approach to control mechanisms is preferable throughout the MNCs in line with Ang and Massingham (2007).
Factor 2: Organizational Structure

Nonaka and Takeuchi (1995) identified two organizational structures: the bureaucracy and the task force organization. MNC2 and MNC3 who represents accounting and consulting agencies are acting in stable environments governed under global regulations and standards, why there also is a need to be bureaucratic throughout the entire MNCs. The MNC subsidiaries benefits from a standardized structure in line with Ang and Massingham’s (2007) reasoning since national culture differences do not show to affect the MNCs’ organizational structure.

MNC1 on the other hand is a task force organization that is dependent on a variety of musicians producing ability. Respondent 1 declares there are lots of variations in workload since every artist equals a new assignment. Different artists are released in different parts of the world in different ways, why standardizations become difficult. The variations within the record label industry makes subsidiaries work in an adapted way; although no evidence have been found that the variations derives from national cultural differences. It could be that the difference in organizational structure derives from differences in music cultures rather than national cultures, which also is suggested by Respondent 1.

Factor 3: Knowledge Processes

Respondent 1, working for the record label MNC, stated that the MNC is good at spreading general information within the organization but not knowledge practices. Furthermore, Respondent 1 identified four different types of information exchange contacts that exist within the MNC but could not identify a corresponding pattern for knowledge exchange contacts. Respondent 1 acknowledged a gap when it comes to routines for exploiting and creating knowledge and he did believe that a standardized system could be more effective in line with Darr and Kurtzberg (2000). Respondent 1 did not believe that national culture differences is what makes the MNC subsidiaries work in a differentiated manner, it is rather the lacking of routines, why a standardized approach could be more cost effective. Jensen and Szulanski (2004) suggested that “inappropriate adaptation” could take place and maybe this is what MNC1 now is experiencing. A standardized process for managing knowledge could lead to cost reductions (Ang & Massingham 2007).
Respondent 2 and 3 explained their usage of thorough standardized systems through which they explore and communicate knowledge. Respondent 2 and 3 said that they have a standardized system, where they can search for appropriate contact persons in the organization all over the world. MNC 2 and 3 seem to be working standardized when it comes to the exploitation of knowledge assets and creation. These two agencies communicate knowledge in line with Darr and Krutzberg’s (2000) suggestion, that it is easier to share knowledge effectively when using standardized KM. Neither one of the respondents believed that national culture differences interfered with the knowledge process.

**Factor 4: Knowledge Sharing**

All the MNCs do have annual manager meetings a couple times a year where they discuss best practices, have workshops and discuss barriers. Managers from all countries are present during these meetings. Dhanaraj and Beamish, (2004) suggests that formalization of networks facilitates the process of creating knowledge, which also seems to be the opinion of the respondents.

The respondents acknowledged that there could be differences in the willingness of certain people’s participation during these meetings but did not believe that it had to do with national culture differences. Respondent 1 stated that people are different and some people like to get their voice heard while others do not, but considered this to be a personal trait rather than a trait depending on national culture differences. Respondent 3 added that some people prefer to express themselves in writing while others prefer to perform orally, but did neither believe that it was correlated to national culture. The managers were asked about the importance of having these meetings and they all considered them to be relevant for relationship building and knowledge creation and transfer. Although, Respondent 1 did say that it could sometimes feel like people just talked about how the work proceeded within each subsidiary, without actually sharing and learning from each other.

The respondents seem to be convinced that annual meetings where all countries participate are of importance. Differences in engagement of the meetings can be acknowledged although deriving from personal traits rather then cultural differences.
Since cultural differences do not seem to affect the participation, standardized international meetings is suggested in line with Ang and Massingham (2007).

**Factor 5: Communication**

Respondent 2 and 3 are both members of international groups that have regular contacts daily or weekly. The groups are well known within the MNCs with formal names and act in order to create and share knowledge throughout the organizations. Respondent 2 also said, in line with Cummings and Teng’s (2003) reasoning that they have something called secondment programs, which means that managers work 6 months abroad in order to gain international experience and transfer knowledge. Respondent 1 did not state any similar standardized programs within the record label MNC.

All the companies are using extensive technology throughout their organizations. Respondent 1, 2 and 3 declared that there are differences in the communication between countries due to cultural differences concerning time management and keeping deadlines. They also said that some countries are less developed and do not access internet as the western world does, which also needs to be remembered.

“**The infrastructure in certain countries do not allow certain subsidiaries to respond on deadline, which needs to be understood and respected**”

**Respondent 1 – EMI**

As Dell and Jackson Grayson (1999), suggests, technology can intense the communication among certain countries while some are being left behind. The managers all had their different ways of dealing with the deadline issue. Respondent 2 declared that his planning could be somewhat different if he was engaged with slower working countries e.g. sent extra email reminders and sometimes even planned for things to take longer time. Respondent 1, 2 and 3 all acknowledge the differences in responding time from especially Asian subsidiaries but did not consider it to be that much of a problem.
“Cultural differences are sometimes present but they are rarely seen as problems”

Respondent 2 – Grant Thornton

Respondent 1, 2, and 3 did agree on cultural differences affecting the communication through technology though. They all showed acceptance to these barriers and had found their own personal ways of dealing with it in an adapted way. Differences in culture do show to have an affect on the communication within all three MNCs, why adaptation in working behavior is appropriate in accordance with Ang and Massingham (2007).

Factor 6: Learning Intent

Neither Respondent 1, 2 or 3 had experienced differences between subsidiaries and their willingness to learn when exchanging knowledge. People may differ in their willingness to learn but none of the Respondents thought that this was related to national culture differences.

“Certain people have shown differences in their willingness to learn but unrelated to national culture since people differ within cultures”

Respondent 1 – EMI

Respondent 3 said that they do have measurements and reward systems at all subsidiaries, which has a positive effect in KM in line with the reasoning by Simonin (2004). None of the respondents experienced differences between national culture and learning willingness, why standardized learning systems would be appropriate in line with Ang and Massingham’s (2007) reasoning.

Factor 7: Performance Measurement

None of the participating respondents could identify any differences between the willingness between western and eastern cultures when it comes to performance measurement, in contradiction to O’Dell and Jackson Grayson (1998). All the MNCs subsidiaries use the same measurement systems and the managers had a positive attitude towards these systems. Since national cultures doe not interfere with the usage of performance measurement, standardization is suggested.
Table 1. Standardization vs. adaptation in KM at MNC1, MNC2, and MNC3

<table>
<thead>
<tr>
<th>KM Factors</th>
<th>Standardization</th>
<th>Adaptation</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1: Headquarter Control Mechanisms</td>
<td>MNC1, MNC2, MNC3</td>
<td></td>
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<tr>
<td>F2: Organizational Structure</td>
<td>MNC2, MNC3</td>
<td>MNC1</td>
</tr>
<tr>
<td>F3: Knowledge Processes</td>
<td>MNC2, MNC3</td>
<td>MNC1</td>
</tr>
<tr>
<td>F4: Knowledge Sharing</td>
<td>MNC1, MNC2, MNC3</td>
<td></td>
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<tr>
<td>F5: Communication</td>
<td></td>
<td>MNC1, MNC2, MNC3</td>
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<tr>
<td>F6: Learning Intent</td>
<td>MNC1, MNC2, MNC3</td>
<td></td>
</tr>
<tr>
<td>F7: Performance Measurement</td>
<td>MNC1, MNC2, MNC3</td>
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</tbody>
</table>

**KM Performance Outcomes**

As mentioned in the Literature Review, Ang and Massingham (2007) suggest a framework for dealing with the tensions involving standardization and adaptation in KM. Standardization is preferred when the pressures for economies of scale are high and pressures for cultural awareness are low. Adaptation on the other hand is appropriate when pressures for cultural responsiveness are high and the pressures for economies of scale are low. Furthermore, four different outcomes of international KM are suggested: adaptation and success, adaptation and failure, standardization and success, and finally standardization and failure (Ang & Massingham, 2007).

Even though we are living in an internationally more complex business arena (De Long & Fahey 2000), the effects of national culture differences appear to be relatively low. The studied MNCs did only show a result of national culture differences interfering with Factor 5: Communication. All the respondents worked in an adapted...
way when dealing with deadlines and time management when communicating with different subsidiaries in different countries. This affected the communication of knowledge but none of the respondents considered it to be a problem. This indicates that the pressure for market adaptation is high and that Factor 5: Communication, is successfully adapted within the MNCs.

MNC2 and MNC3 did work standardized in regard to factors 1-7, in except from factor 5. This is a strong indication that the pressures for economies of scale are rather high when dealing with factors 1, 2, 3, 4, 6 and 7. MNC2 and MNC3 did not show any problems with national culture differences interfering the standardized system why standardization and success is considered to be an achieved outcome when dealing with factors 1, 2, 3, 4, 6 and 7.

MNC1 (EMI) on the other hand, did show adaptation in regard to Factor 2: Organizational Structure and Factor 3: Knowledge Processes (besides Factor 5: Communication). No evidence was found that adaptation was related to differences in national culture though. When talking to Respondent 1 about the music industry, it appears more as the adapted way of working derives from autonomously in subsidiary behaviour. The music industry in itself could also play a part, since music is divided into cultures in itself, which deviates from regional national cultures. Respondent 1 did believe that it was possible to work more with standardized KM within the record label industry. It could be that the saying “inappropriate adaptation” by Jensen and Szulanski (2004) may describe the now existing KM strategy within MNC1. But it could also be that there are other issues than the cultural issue that leads to adaptation in international KM. Ang and Massingham’s (2007) four KM performance outcomes, only takes national culture differences in regard when investigating if KM should be standardized or adapted. Maybe are there reasons for adaptation that is not related to national culture differences, e.g. industry related reasons.
Conclusions and Discussion

This chapter will conclude the findings and limitations of this study and discuss them in a wider context. Furthermore, managerial implications and suggestions for further research will be presented.

Conclusions can be made that all studied MNCs benefit from a standardized KM management approach when investigating factors 1, 4, 6 and 7. Headquarter control mechanisms, knowledge sharing, learning intent, and performance measurement; are areas where standardization can be successfully implemented throughout the entire MNC. A homogeneous MNC way of working in regard to factors 1, 4, 6 and 7 may reduce costs when managing international knowledge.

A significant result is that the only factor affected by cultural differences is Factor 5: Communication, which involves technology communication. National culture differences affect the view on time and deadlines, why managers need to find adapted working methods as this is considered to be a barrier for standardized KM. The managers in this study solved the time issue by using an adapted time plan towards different countries.

It is also shown that the results are devious when it comes to Factor 2: Organizational Structure, and Factor 3: Knowledge Processes. MNC2 and MNC3 work in a successfully standardized manner regarding both factors 2 and 3, while record label MNC1 works in an adapted manner. No evidence was found that MNC1 worked in an adapted manner due to national culture differences though. Adaptation could rather be explained by the variations in music cultures rather than national cultures. This makes it difficult to say whether MNC1 now is experiencing inappropriate adaptation and could be successfully standardized, or whether there are other reasons for adaptation than national culture, which would indicate that MNC1 now is successfully adapted.

Lastly, conclusions can be made that there could be other pressures than the pressure for national culture differences affecting international KM leading to adaptation, having record label MNC1 in mind. This further implies that Ang and Massingham’s (2007) model, represented in Figure 2, may be limited since it only considers national
culture differences as a source to adaptation when adaptation may derive from variations in industries as well.

Managerial Implications
It appears as cultural differences have low impact on international KM. This study shows that Factor 5: Communication, is the only factor that requires adaptation. Managers may successfully benefit from an adapted working method when dealing with time management involving several countries and cultures. This can be done by having different time plans for different countries and also by sending reminders to countries that generally needs more time.

Furthermore, standardization and adaptation derives from the pressures of cost reductions and market responsiveness. Managers may reduce costs with overall standardization in international KM, since the pressures for market responsiveness, as a result of national culture differences, only has shown to be present when dealing with Factor 5: Communication. Although, managers need to be aware that there could be other factors affecting KM than those explained in this study and there could also be other sources than national culture differences leading to appropriate adaptation. However this study shows that two MNCs, each with over a 100 subsidiaries all over the world, have managed to standardize KM effectively in regard to factors 1-7, factor 5 excluded.

Suggestions for Further Studies
This study explains seven factors that affect international KM and thereby standardization and adaptation outcomes. The seven factors investigated and explained in this study are the ones that scholars have focused on in earlier international KM studies. Future studies may investigate if there are other factors affecting appropriate standardization and adaptation KM decisions. This could be achieved by using an exploratory approach to international KM standardization and adaptation, rather than by using an explanatory approach as with this study.
We cannot be sure that the cultural differences do not have a larger impact than what is found in this study, since managers and employees from subsidiaries abroad not have been interviewed. A more comprehensive and reliable study should include interviews with employees from different national subsidiaries.

Future studies should also investigate other areas in the KM process besides the two sub-processes knowledge creation and knowledge transfer. The KM process involves up to as many as eleven steps and future research could investigate standardization and adaptation within other areas of the process to get a more comprehensive picture.

Finally, this study indicates that there might not only be cultural differences that lead to adaptation in international KM, why future studies should investigate several industries in order to find out if there are patterns in standardization and adaptation between different industries. A homogeneous result related to industries could reveal other sources to adaptation than national culture differences.
References

Articles


**Literature**


**Internet**


**Interviews**

Respondent 1, Head of Marketing, EMI, Stockholm, 2011-12-05, Personal interview.

Respondent 2, Director International Business, Grant Thornton, Stockholm, 2011-12-05, Personal interview.

Respondent 3, Head of Mergers and Acquisitions, 2011-12-06, Telephone interview.
Appendix 1

Interview questions

General Information

• How long have you been working for the organization?

• What is your current position?

• How would you describe your way of working internationally?

• How long have you been working internationally?

• Have you heard about the term KM standardization before?

• Have you heard about the term KM adaptation before?

Factor 1: Headquarter Control Mechanisms

• Are you using any type of headquarter control mechanisms within your MNC? What type of control mechanisms?

• Would you describe subsidiaries as autonomous? In what way?

• Would you describe subsidiaries as governed under headquarter? In what way?
Factor 2: Organizational Structure

- Would you describe your organization as a bureaucratic organization? In what way?
- Would you describe your organization as a task force organization? In what way?

Factor 3: Knowledge Processes

- Which subsidiaries in which countries do you have regular contact with?
- To whom on which position, do you communicate with when exchanging knowledge with subsidiaries in other countries?
- How frequent do you have international knowledge exchange contact?
- Are there any problems or barriers related to cultural issues in the knowledge exchange process? If, yes, how do you deal with them?

Factor 4: Knowledge Sharing

- Does your organization use any international groups or networks for exchanging knowledge?
- Do you have any annual manager meetings where all subsidiaries are represented?
Factor 5: Communication

- Does your organization use technology in order to exchange knowledge?
- Does your organization use expatriates in order to exchange knowledge?
- Are there any international subsidiaries that you have more knowledge contact with than others? If yes, why do you think that you have more contact with these subsidiaries?

Factor 6: Learning Intent

- Are there any reward systems within your organization when it comes to knowledge sharing? If yes, are the reward systems used throughout the organization internationally?
- Are there any differences among the countries within the MNC when it comes to the willingness to learn about new knowledge?

Factor 7: Performance Measurement

- Do you use any type of quantitative measurements (performance evaluation systems) at your organization? If yes, is this a standardized routine used throughout the entire organization (internationally)?
- Are there any differences between western and eastern countries when it comes to the usage of performance measurement systems?
Knowledge Management Outcome

- Does your organization have any explicit guidelines regarding KM between subsidiaries? If yes, describe them.

- Would you suggest that your organization have a standardized approach when it comes to managing knowledge internationally? If so, in what way?

- Would you suggest that your organization have an adapted approach when managing knowledge internationally? If so in what way?

- Do you believe that your organization would benefit from a standardized approach?

- Do you believe that your organization would benefit from an adapted approach?

- What would you say is an advantage with having a standardized KM approach?

- What would you say is an advantage with having an adapted KM approach?