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Process and structure in knowledge management practices of British and US multinational enterprises

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Abstract

This paper suggests that the conventional opposition of ‘global’ versus ‘local’ strategies in knowledge management processes is not only unhelpful but misleading. It investigates the process of knowledge management, its impact on organisational structure and, in particular, its spatial aspects. Using three detailed case studies of multinational firms, it finds that knowledge configurations, which are both dynamic and ‘glocal’, are utilised to extract value from sticky local sources of knowledge and to evolve better solutions. The paper moves away from the unidirectional flow of knowledge to a picture showing conflicts between the preexisting organisational structure and the desire to manage spatially separated knowledge sources. The analysis encompasses the strategic active subsidiary as a special, possibly intermediate case, of the problems of managing spatially separate knowledge sources. © 2002 Elsevier Science Inc. All rights reserved.

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1. Introduction

This paper investigates three key issues.

(1) What determines the *process* of knowledge management? This process involves creating value from localised knowledge by combining spatially separate sources of

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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.

(2) What effect does the process of knowledge management have on the organisational *structure* of the firm? The organisation structure can be investigated to show if it facilitates or inhibits the knowledge management process. The management imperative is to move towards structures that enhance knowledge combination.

(3) How are process and structure affected by the key *local* competence versus centralised *global* management divide within the multinational firm? Can we envisage ‘glocal’ solutions to the management of knowledge? The case studies below show that spatial issues are important in knowledge management practices and in potential organisational solutions. It also appears that successful strategies to combat knowledge “stickiness” will involve combinations of local and global configurations of knowledge.

There is a potential conflict between the process and the organisational structure of the firm, which depends on (1) the preexisting alignment of process and structure (this is dynamic and interactive over time), (2) the critical sequencing of the knowledge management process and (3) boundaries in knowledge, which represent “frontiers” across which management must operate to achieve integration. Our framework has two *drivers* (knowledge characteristics and the value from combining knowledge) and two *constraints* (the participants and the technology of knowledge transfer) and two *outcomes*—on the organisational structure of the firm and the performance characteristics of the process. The approach of the paper synthesises earlier papers and applies the resulting theoretical framework to the spatial issues driving the knowledge management practices of multinational enterprises using illustrative case studies.

It is apparent that these management practices have local versus central conflicts inherent in them. *Knowledge* characteristics may have a local flavour because of market conditions that are particular to geographical location, or they may be due to the historical localisation of particular industrial specialisations (Krugman, 1994). The *value from combining knowledge* may arise from geographical separation—this is the classic rationale for the existence of a multinational firm—internalising externalities by putting together within an internal market attributes, resources or activities generating synergy, which can be exploited with profit (Buckley and Casson, 1976). The *participants* in the process will be separated by physical and cultural difference—the combination of previously distant activities yielding a return to the coordinator. The *technology of knowledge* transfer may reside in the firm, perhaps centrally, and may be an important factor in releasing and combining local competencies. The *organisational* structure of the firm may be a result of central management dictate, or may have evolved over time, but may well be in conflict at any given time with the needs of smooth knowledge transfer and efficient knowledge management. How far do firms transfer best practice from subsidiary to parent or parent to subsidiary in order to achieve greater success in knowledge management?

The paper reports findings from three case studies in which firms are concerned with combining localised competencies, often from different source locations, into an overarching knowledge strategy, which will enable the application of these competencies within other (localised) markets. In these examples, while there is some degree of tension between the

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