Knowledge transfer in MNCs: Examining how intrinsic motivations and knowledge sourcing impact individual centrality and performance

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A B S T R A C T

Studies investigating individual performance in knowledge-intensive work are finding that individual performance is a result, to some degree, of obtaining the right information to solve novel, challenging problems. Yet we know little about the role that the individual plays in the knowledge processes in multinationals and the relationship between individual knowledge sourcing activities and performance. Our expectation is that successful knowledge transfer will be based on an individual’s intrinsic motivation, access to knowledge from explicit or tacit knowledge sources within and across firm boundaries, and position in the overall advice network of the multinational corporation. Using survey and social network data collected in one multinational consulting firm, we investigated the knowledge sourcing activities and informal advice networks for 1439 of the entire 1698 individuals in one multinational spread across 28 offices (84.7% response rate). Through hierarchical regression analysis we find that 1) intrinsic motivations are strongly related to creativity and efficiency and 2) MNCs should support individual level activities that include not only the use of internal knowledge sources but also the use of external knowledge sources. Research results also suggest that 3) there are different patterns of knowledge sourcing activities based on whether efficient or creative performance is the goal and 4) these differ significantly depending upon the functional group to which the individual belongs. Implications for theories of the knowledge-based view of the multinational corporation and practical implications for managers are discussed.

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1. Introduction

One of the key issues underlying the knowledge-based view in multinational corporations (MNCs) is the need to understand how knowledge is integrated across geographically dispersed units (Hansen, 1996). According to the knowledge-based view of the firm, the purpose of the multinational firm is not to divide a given task into activities to be performed efficiently by different subsidiaries, but to position the firm so that “separate knowledge pieces” from across the organization may be combined to initiate new tasks (Hedlund, 1994). Knowledge integration within a multinational context has been defined as “the process of searching for and transferring knowledge through the interunit network” (Hansen, 1996:1). However, as many MNCs continue to expand their operations and thereby increase the number of geographically dispersed locations, employees, functions, and external partners, the task of effectively making use of distributed knowledge becomes ever more challenging. In addition, there is increasing pressure on MNCs to do a better job of gaining access to new knowledge from their business environments (Bartlett and Ghoshal 1989; Doz and Hamel 1997; Hedlund and Nonaka 1993), due to shrinking product lifecycles, the need for integration across an
increasing diversity of technologies in products and services, and higher levels of competition from new competitors crossing not only geographical but industrial boundaries as well (Boland and Tenkasi 1995; Purser, Pasmore, and Tenkasi, 1992). As a result, MNCs need to tap into external knowledge sources to update and renew existing knowledge bases (Birkinshaw, 2001).

To date, the focus of knowledge-based research in the MNC tends to be at the firm, unit, subsidiary, and project levels (e.g., Foss and Pedersen, 2004; Hansen 1999; Tsai and Ghoshal, 1998; Szulanski, 1996), often concentrating on aggregate concepts such as capabilities, knowledge assets, and knowledge processes without an understanding of how they are related to individual behavior (Foss and Pedersen, 2004). Despite proponents of the knowledge-based view of the firm arguing for the importance of the individual, there are few studies investigating the individual’s role in the knowledge processes of multinationals. Nonaka (1994:17) states, “At a fundamental level, knowledge is created by individuals”, and Grant argues that competitive advantage results from how effective a firm is in integrating the specialized knowledge of its members (Grant, 1996a,b). Hedlund (1994) suggests that one of the major characteristics that makes the firm unique is its ability to transfer knowledge between levels of analysis, e.g., from the individual level to the firm level and vice versa. Moreover, as no one individual possesses all of the knowledge required for the global management of a multinational’s inter-related activities, the knowledge that is divided and dispersed among individuals specializing in distinct knowledge areas must be integrated in order for decisions and actions to be successful (Björkman et al., 2004).

The purpose of this research is to advance the knowledge-based view of MNCs by examining knowledge flows and performance at the individual level of analysis. We investigate how individuals within one multinational consulting organization (Icon Medialab) obtain knowledge from codified documents (explicit knowledge) and person to person interactions (tacit knowledge), as well as the extent to which individuals seek knowledge internal to the MNC (internal) or knowledge that crosses firm boundaries (external). We then examine the degree to which an individual’s intrinsic motivations and knowledge sourcing impacts his/her centrality in the MNC and performance. We further investigate whether the impact on performance differs based on the functional role of the individual within the MNC. Through the administration of a web-based questionnaire to all employees in the firm, we collected survey and social network data on the task-related networks of 1439 individuals, spread across 28 offices in 16 countries in Asia, the United States, and Europe.

Such inquiry makes three important contributions. First, this research empirically examines the differential impacts of intrinsic motivations, explicit knowledge transfer, and tacit knowledge integration on individual centrality in the overall advice network of a multinational organization and individual performance in complex knowledge environments. Second, this research includes the examination of internal and external knowledge sources as well as considers the functional role (primary versus support) of the individual. Finally, this research makes possible more precise theoretical models of how MNCs may design their organizations and their knowledge management activities to support knowledge flows and the creation of new knowledge to enhance individual and thus organizational performance.

This article is organized as follows. In the following section, we develop a conceptual model and a set of hypotheses related to the relationships between intrinsic motivations, knowledge sourcing, and individual centrality and performance. Section 3 describes the research methodology and provides a description of the research site. Section 4 reports the results of the empirical study while the last section provides a discussion of the results and the implications of this research for theory and practice.

2. Theoretical foundation

When solving their everyday work, individuals in multinationals make their own discretionary choices about where to access the required knowledge for their tasks. Some individuals may prefer to access knowledge made available in documents and electronic repositories, rather than asking for help from coworkers and colleagues. Additionally, due to recent advances in information and communication technologies, individuals may now quickly and effortlessly access a wide variety of knowledge sources and individuals outside the firm’s boundaries. As a result, new knowledge and ideas may be brought into the firm through external knowledge sources, further increasing the availability of potential knowledge sources an individual can access. Therefore, accessing knowledge from certain channels, whether it is from documents or coworkers, and whether the sources are internal or external to the firm, is likely to have important implications for individual performance, and thus firm performance.

The knowledge-based view of the firm distinguishes between explicit and tacit knowledge, suggesting that the underlying motivations and performance implications of generating and exchanging tacit knowledge are fundamentally different than those needed to transfer explicit knowledge (Mudambi et al., 2007; Osterloh and Frey, 2000). Explicit knowledge can be readily codified and transferred through writing or symbols, while tacit knowledge is that which is known, but difficult to articulate (Polanyi, 1966). Explicit knowledge such as reports, software code, interview guides, or market data can be “pulled” from the people developing them and then stored in electronic repositories such as intranets or databases, thus enabling efficient transfer to others across the MNC. The use of electronic repositories and databases enable individuals to easily search for and access explicit knowledge without having to contact the person who originally developed it (Hansen et al., 1999; Birkinshaw, 2001). Explicit knowledge transfer supports knowledge reuse across the MNC, and helps individuals solve common problems and offer standardized products or services, (Hansen et al., 1999), increasing individual efficiency. Generating new knowledge from explicit knowledge sources occurs through a process of transfer, where the use of knowledge created elsewhere is made available to all others in the MNC (McCann and Mudambi, 2005). Therefore, individuals engaged in tasks focused on the exploitation of existing knowledge are likely to perform more efficiently by accessing knowledge that is readily available in codified form.

In contrast to explicit knowledge, tacit knowledge is hard to codify and transfer without personal interactions between the knowledge source and receiver. Tacit knowledge is not easily separable from its human actor and is only meaningful and actionable
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