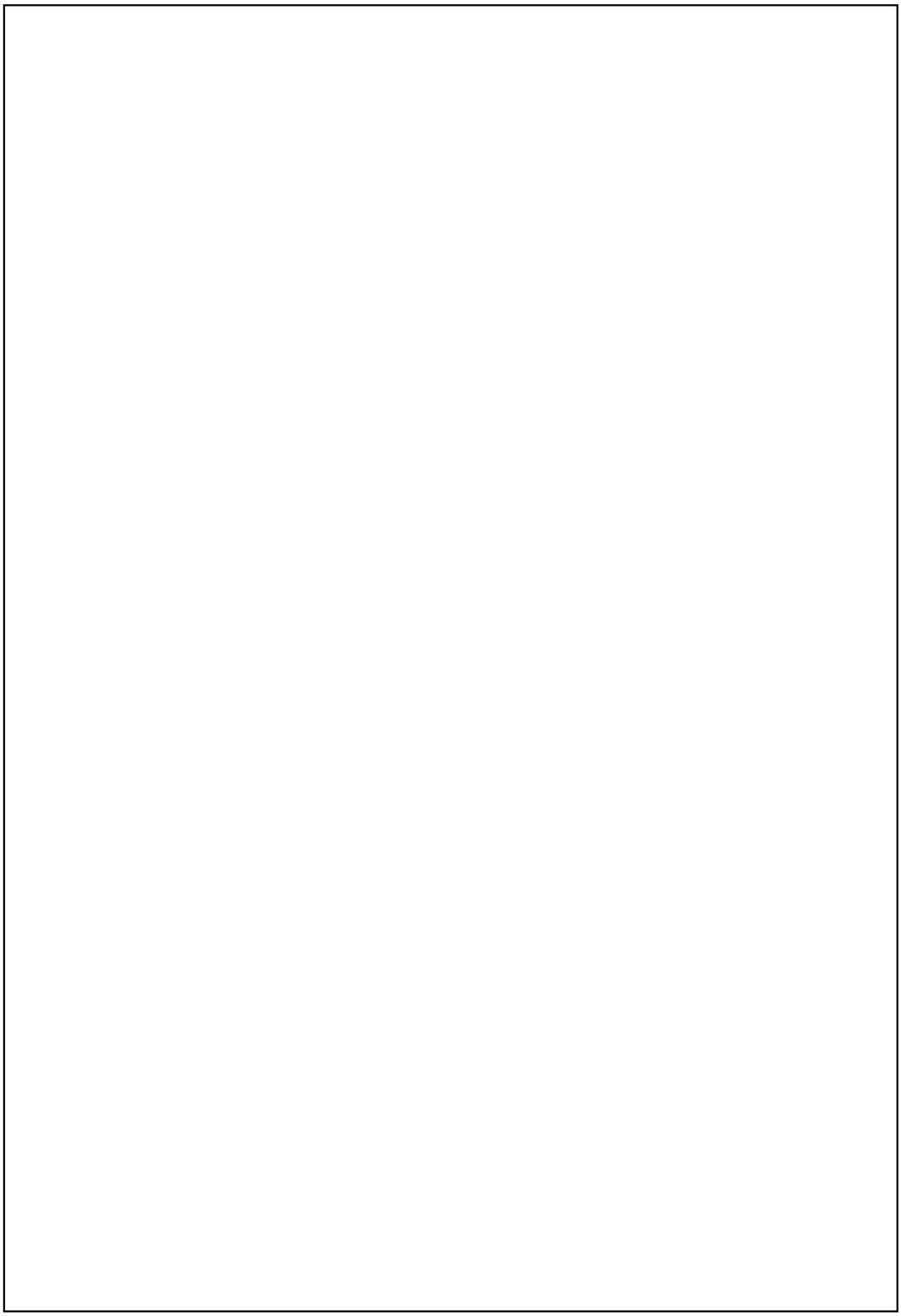

Knowledge Management Practices in Multinational Corporations

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Abstract

Knowledge management is an emerging concept yet it is a vast area where organizations are required to adopt most effective strategies in order to gain a competitive advantage. The aim of this study is to examine whether the multinational corporations (MNCs) dealing in fast-moving consumer goods (FMCG) practice the idea in its true sense and apply the concept for improving knowledge management. The study is exploratory in nature. The research instrument for this study is adopted from another study on knowledge management in German Industry. Due to the absence of a sampling frame a non-probability sampling method was required to be used therefore; purposive sampling method is used by selecting five FMCG multinational corporations. The is analyzed descriptively by using Statistical Package for the Social Sciences (SPSS).The analysis shows that the biggest hurdle towards knowledge management lies within the organizations since the organizations are protective towards knowledge and fear the loss of critical information to the competitors.

Keywords: Knowledge management, knowledge sharing, organizational learning

1. Introduction

The word "knowledge" can be interpreted and deciphered in different ways. It is synonymous to the terms like data, information, intelligence, talent, experience, proficiency, ideas, intuition, insight, wisdom etc., depending upon the usage in different perspectives.

Knowledge and knowledge management are two different terms. Implementation of knowledge management requires an understanding of the driver of KM. For this purpose, first, the companies need to observe the flow and amount of knowledge that has to be handled by the decision makers and its key users. Secondly, it is widely understood that knowledge trading, handling, storing and managing involves cost and all organizations make efforts to reduce these costs. Thirdly, the pace of knowledge production is very fast which leads to decreasing the product life cycles and consequently innovation cycles, and ultimately puts the pressure on knowledge processing. Fourthly, organizations are now more prone to rapid changes because of mergers, acquisitions; joint ventures etc., which in turn compel organizations to integrate, synthesize and merge knowledge, to cope with such changes.

Last but not the least, the frequent changes in the work force due to different reasons ranging from lay-offs to new hiring brings about changes in the knowledge base of the company as there is also brain drain and new employees lose track of the important information which goes away when an employee leaves. Argote (1999, p. 59) posits that "knowledge depreciation, like the concept of currency depreciation, can be defined as knowledge losing its value and this takes place upon losing employee if their tacit knowledge is left undocumented". Therefore, "Knowledge Management is now recognized as a process rather than a product" (Moustaghfir 2009, p. 349).

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This study intends to answer the following research questions:

(a) How widely are various KM practices used; and how dynamic is the diffusion of these instruments?

(b) Does KM have the meaning one would expect, given the idea about knowledge management?

(c) What are the driving forces to employ KM practices?

(d) How many companies have institutionalized KM within their organizational set up (e.g. by special units or key management)?

2. Literature Review

Knowledge management has assumed an important role in business management as it provides clear guidelines, reduces uncertainty and helps in making correct decisions. Minbhaeva (2003, p. 5) pointed out that knowledge is a source of competitive advantage itself rather than just a resource. The concept of KM has been recently studied in a number of areas such as environmental studies (Marchi & Grandinetti 2013), innovation (Bellantuono, Pontrandolfo & Scozzi 2013), healthcare (Mura, Lettieri, Radaelli & Spiller 2013) learning organizations (Karkoulian, Messarra & McCarthy 2013) innovation and sustainable development (Moustaghfir & Schiuma 2013).

2.1 Knowledge Management and Learning in the Corporate Sector

For a lot of organizations in the corporate sector KM has evolved as an answer and an attitude to the latest challenges of the information age. Knowledge and information have become core assets for organizations which are struggling to handle and conserve these assets in novel ways. The discipline of KM has developed its own strategies to meet the challenges of knowledge sharing and implementation of the KM systems. After a long evolution process the strategies have entered in second generation now.

McElroy (2000, pp. 1-2) mentions that the aim of the first generation strategies is to enhance and develop a culture of knowledge sharing in the organizations. These strategies used IT and management system infrastructures to collect, codify, and extract knowledge. Current theoretical and empirical developments in KM literature have helped in evolving second generation KM strategies. These strategies emphasize that organizations must focus on their processes to create new knowledge to gain competitive advantage. The pace of adoption of the strategies depends upon the organization's internal and external environment and the nature of the business.

Contributors to the field of KM such as Argyris (1992), Levitt and March (1988), Nonaka (1995), and Schein (1992) and Senge (1990) have focused on second generation strategies and envision the locus of their control in the corporate sector. Argyris (1992) and Senge (1990) have developed their ideas and thought on their work experiences as management consultants of large Western companies, while Nonaka (1995) illustrates his learning and working experiences of Japanese entrepreneurships. Many of their opinions, proposals and recommendations are similar, as they tend to focus upon the significant implications of KM process and contributions.

KM has evolved through the process of information management. Its first generation depends on system analysis and creation of existing knowledge; and second generation is related to enhancing conditions of controlling and innovating new knowledge. The organizational learning (Argyris 1992) has developed through single loop learning in line with existing policies and

then in second generation it has entered into double loop learning as second order strategy.

2.2 Knowledge Management in a Firm

Knowledge is an integral part of the functioning of any business organization. It is challenging for organizations to create an effective and efficient knowledge marketplace (Grover & Davenport 2001, p. 15). Also, it is theoretically and practically difficult to separate knowledge creation and its management (Foss 2002, p.17). Structures must be developed that encourage and support the exploitation of existing knowledge and the creation of new knowledge (Reinmoeller 2003, p.171).

The broad purpose of KM is to access the organizational knowledge stored within the firm in order to develop productive services and generate innovations, thus creating and sustaining the firm's competences and competitive advantage. Ramarapu (1999, p. 158) conceptualizes KM system in MNCs and states that "a KM system has three sets of mechanisms. The first system utilizes groupware technologies and helps in sharing knowledge to the relevant community. The second system utilizes knowledge warehouse to collect, store, access and retrieve knowledge as and when needed be". It needs the development of memory systems (Ackerman 1994, p. 2). Organizational memory systems consist of skills knowledge and information. Prahalad (1994), Hult (1998) and Ackerman (2000, p. 59) discussed the memory systems and suggested that "these systems are an important source of competitive advantage for a firm and every organization must develop such systems. The third mechanism is the acknowledgement of knowledge as a corporate knowledge asset stock." The corporate knowledge asset stock refers to a company's intellectual capital. (Dzinkowski 2000). Quinn (1992, p. 354) mentions that knowledge has been traditionally viewed only as a resource along with physical and human capital. The mechanisms and overall KM procedure help us in understanding the importance of knowledge and how organizations commit towards implementation of KM as a mindset in the organizations.

2.3 Knowledge Mapping

Knowledge mapping is an important tool in implementing KM philosophy. Huijsen (2003) stated that knowledge mapping means to make the knowledge sharing process and knowledge itself transparent and thus understanding the value of knowledge for the organization. The sources of knowledge include other employees and peers, documents of various types, and information systems. Employees usually feel comfortable in seeking knowledge from close colleagues (Kraut 1988, p. 5). Knowledge mapping makes it possible to share knowledge with anyone in the organization through a knowledge management system (KMS).

2.4 Knowledge Management System (KMS)

"A KMS is not only an information system since the input includes both codified (explicit) knowledge and tacit knowledge but it also allows the creation and sharing of both tacit and explicit knowledge" (Barney 1991, p. 115). Ruggles (1998, p. 81) suggests that only those KM practices give competitive advantage which can allow both tacit and explicit knowledge sharing, since explicit knowledge-based KMS are easy to imitate and thus do not provide any competitive advantage. He further mentions that a KMS involves eight major processes:

1. Generation of new knowledge;
2. Accessing valuable knowledge from outside sources;
3. Using accessible knowledge in decision making;
4. Embedding knowledge in processes, products and/or services;

5. Representing knowledge in documents, databases, and software;
6. Facilitating knowledge growth through culture and incentives;
7.Transferring existing knowledge into other parts of the organization; and
8. Measuring the value of knowledge assets and/or impact of knowledge management.

3. Research Methodology

The subject of KM and its application is an emerging concept not only in Pakistan but also in other parts of the world, as Edler (2003) mentions that the research-related to KM has so far focused on the internal processes of KM.

3.1 Research Instrument

The instrument for this research study has been adopted from the study on KM in German Industry. The instrument was developed by Edler (2003).

3.2 Population and Sampling

Due to the absence of a population frame, a non-probability technique that is purposive sampling method was used for which five FMCGs multinationals namely Unilever, Proctor and Gamble (P&G), Colgate Palmolive, Reckitt Benckiser and Nestle were selected. From each of these companies 7-9 respondents were interviewed through a structured questionnaire.

Around 38 staff members were interviewed out of which 85% were male. Nine respondents were from Nestle, eight from P&G and seven each from Unilevers, Colgate Palmolive and Reckitt Benckiser. The selected tiers of management were mid and upper level assuming that they are the ones who manage, disseminate, handle, store and discard most of the information. The education level ranges between graduation and masters. The findings were descriptively analyzed using SPSS.

4. Research Findings

Almost all the respondents expressed that their organization has a written KM policy or strategy and it has been in use since 2006. Only one out of 38 respondents said that he does not know about any such policy. Findings of this study suggest that when it comes to rewards, most of the organizations focus on non-monetary incentives such as recognition and other factors. They do not usually offer any monetary rewards to employees. Around 73% organizations have collaborated with other organizations and have used strategic alliances to acquire knowledge, a condition for effective KM. Research institutions generally play a very important role but when it comes to KM, responses indicate that MNCs trust industry sources relatively more than research institutions. According to 87% respondents, their organizations have been encouraging workers to participate in project teams with external experts.

Almost all participants said that their organizations are currently not providing formal training related to knowledge which indicates that in future they may consider setting up a dedicated department for KM. Training in KM would mean investing on apprenticeships, internships, formal mentoring practices etc. Only 40% of the respondents said that their respective organizations reimburse their tuition fees and 100% believe that to keep employees skills current, off-site training is a better way to be knowledgeable rather than degrees.

The organizations are investing both formally and informally in developing, communicating and managing knowledge; however, 50% of the employees consider it only "somewhat important", only 45% consider it important and 5% consider it as a "current" practice in their company. Most of the respondents, i.e., 76% believe that to bring efficiency in the production process, knowledge is an important factor.

It is important to retain key employees, especially those with sensitive knowledge related to processes and practices, but 35% consider it only somewhat important to protect organization from the loss of knowledge due to workers' departure. Around 55% think it is important to protect organization from the loss of knowledge due to workers' departure. Modern marketing concept emphasizes the collaboration and sharing of knowledge and information with customers to satisfy their needs. About 71% respondents think it is important to share information with customers. In fact, KM leads to systematic development of thoughts and may be important to lead towards innovation.

4.1 Merits of Using KM Practices in Organizations

A vast majority, 94%, believes that KM practices can help the organizations to improve skills and knowledge of their employees and by sharing this knowledge with external partners the organizations can reach more markets geographically. Around 84% employees are of the opinion that KM practices can streamline and improve the customer relations as well as can play a positive role in production and innovation.

4.2 Department Responsible for KM Practices

Human resource department is the key unit which according to 76% responses, should be responsible for facilitating KM practices in the organization. On the other hand, around 15% respondents consider IT department has the responsibility for promoting KM practices.

4.3 Importance of Acquiring Knowledge from External Sources

4.3.1 Universities

Only 42% of the respondents consider universities as an important source of acquiring knowledge, whereas 53% consider universities to be less important. This calls for more collaboration between academia and the industry. Universities are a potential source of knowledge because students conduct project works, surveys, research work etc. which can be very useful for the companies if they sponsor these projects so as to hire dedicated researchers and get reliable research work. To promote this, proper networking and liaison between these organizations is required.

4.3.2 Management Consultancies

Management consultancies are considered crucial or important by 71% of the organizations as the organizations depend on these consultancies to create knowledge for their employees. This shows that MNCs use the services of management consultancies more as compared to other external knowledge sources.

4.3.3 Enterprises Allied with a Firm

According to 87% respondents, enterprises allied with their firms are an important source for acquiring external knowledge. However, 11% think that they are a less important source.

4.3.4 Special Events (Fairs, Conferences etc.)

According to results of the research, 92% respondents think that conferences and fairs are important sources of acquiring external knowledge as they get a chance to meet customers, competitors and their channel partners at these events. This also gives an opportunity to the firm to get feedback from all the stakeholders of supply chain.

4.3.5 Internet Sources (Identification of Expert etc.)

An overwhelming majority, 87% respondents consider internet searchers for identification of experts etc., as a crucial source of acquiring knowledge.

4.4 Instruments used by Firms to Acquire External Technological Knowledge

It was stated by 76% respondents that their organizations have been awarding research contracts to external firms since 2006 and employment of experts to capture external technological knowledge is a popular method in their organizations.

4.5 Major Obstacles in Knowledge Creation Process

Scientific institutes are not seen as great partners of knowledge creation according to 58% of the respondents and this suggests lack of scientific support in the country. Obviously, there is no focus on research and development (R&D).

- According to 63% respondents, the non-cooperation of other firms tends to be an obstacle in using and creating external technological knowledge.
- According to 87% of the respondents, cost of research is the major obstacle in the appropriation and use of external technological knowledge.
- Another hindrance in the appropriation and use of external technological knowledge is the concern about giving away sensitive data, according to 71 % of the respondents.
- According to 67% respondents, there is a need for proper procedure to discover external knowledge, because in the absence of a laid down procedure it becomes difficult to share and disseminate external knowledge.

4.6 Internal and External Sources that Tend to Trigger KM Practices

As stated by 55.4% of the respondents, upper management is the actual source that tends to trigger KM practices while 23.1% give credit to the efforts of non-management workers. Yet 21.5% believe that unions, active in the work place, also play an active role as a trigger to K M practices. As external sources, competitors, customers and suppliers play an extremely important role as trigger to KM practices. The companies have to upgrade themselves in line with the requirements of customers, feedback of suppliers and operating procedures of competitors.

4.7 Motivation to Implement KM Practices for FMCG MNCs

According to 25% of the respondents, loss of market share is a key motivator to implement KM practices, 21.2% think they have to opt for KM practices in order to move ahead of the competitors or at least to keep pace with them, while 19.7% say that loss of key personnel should be the reason to implement KM. Only 8.3% respondents consider information overload as a problem in sorting out and using KM appropriately; 18.9% consider it important so that employees' undocumented know-how should be documented; and 6.8% feel that KM practices can help in over coming the difficulties of incorporating external knowledge.

5. Conclusion and Recommendations

The analysis showed that the biggest hurdle towards knowledge management lies within the organization since the organizations are protective towards knowledge and fear the loss of classified information. This is the reason that during the interviews, the respondents needed assurances that whatever they reveal would be used for academic purpose only and would only be presented in an aggregate manner.

Those companies, which are more motivated towards acquiring knowledge, also employ more KM practices. The motivation factors to implement certain KM policies generally are:

- Loss of market share
- Use of KM tools by competitors
- Loss of key personnel and their knowledge and
- Information overload problems

To understand that how KM practices and a dedicated department can turn out to be a competitive edge to the firms in the future, hence it is imperative that it should be given equal status and footing with other functional departments such as finance, marketing, HR or R&D. This KM department or function would link other diversified activities, including implementing openness in the organization, instilling a strong sense of belongingness, offering incentives, dismantling the insecurities of knowledge sharing, deciding upon the centralization of KM activities; and above all treating KM as an implementation agenda rather than a mere use of the terminology.

Following are the recommendations based on analysis and findings of this research:

- Human resource management departments should incorporate measures to develop KM skills among their employees through strategic human resource development practices, since there is a minimal concept of training employees for KM.
- More attention should be given to the processes of capturing and archiving knowledge.
- The companies should give incentives if employee become part of the knowledge sharing process as the return would be higher than the investment.
- The concept of mentoring is not much developed in organizations; therefore, the organizations should work on mentoring the employees. This would enable the experienced workers to transfer their tacit knowledge to the new comers.
- The companies should keep in-house psychologists and sociologists who can help people cope with the changes and problems which they might face in integrating KM in the system.

- This would also help them get over with the insecurities of sharing knowledge. Companies should also think about collaborating with universities. If they set up some funding and incentives for the students to create and give new ideas, they would start reaping benefits soon.
- There should be some OC (organizational change) interventions so that people learn analytical and critical thinking, brainstorm more often, have at least some access to resources so as to experiment and think out of the box. This intervention would not only serve as a mode to transfer knowledge but would also create more extensive internal and indigenous knowledge.

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