

# The Tacit Knowledge Transfer of Transnational Corporation

Shufang Dong

School of Business Management, Shandong University of Finance, Jinan 250014, China

E-mail: dsf1119@163.com

## Abstract

Knowledge is the essential source of enterprise competitive predominance. As the changes of the enterprise environment, the multinational corporation will pay more attention to the effective flow of knowledge and internal integration. But the cross-border transfer of the knowledge has many obstacles, especially the tacit knowledge sharing. As viewed from the tacit knowledge characteristic, it is demonstrated that the human communication is the effective method to promote tacit knowledge.

**Keywords:** Tacit knowledge, Knowledge shift, Transnational Corporation

## 1. Introduction

Knowledge is the essential source of enterprise competitive predominance; it has turned into scholars' consensus. But the knowledge sharing is very difficult especially in different countries. Through the research to 26 transnational enterprises, Teece (1981) obtained the conclusion that the proportion of knowledge transfer cost occupies the total cost of project is from 2.25% to 59%, with an average of 19.16%.

Knowledge mainly includes two types, explicit knowledge and tacit knowledge. The explicit knowledge is the knowledge which can be clearly expressed by language, letter, data, chart and formula, which possesses characteristics of standardization and systematization, and is easy to communicate and share and generally includes product appearance, document, data base, instruction, consensus, computer program and other forms. With the rapid development of information technology, explicit knowledge sharing and application is become extremely quickly and highly effective, interior network, knowledge database, knowledge map, electric forum and E-mail are being used in many transnational enterprises.

Tacit knowledge is the knowledge with high individualization, which possesses the character that is difficult to be standardized, and always roots in the behavior itself and is not easy to share with others, and generally exists through individual experience, technical knack, organizational culture and other forms. Thinking mode, belief, viewpoint and value view also belong to tacit knowledge.

Comparing with explicit knowledge, the tacit knowledge more depends on the communication among individuals and its sharing is more difficult. The spread of the tacit knowledge is more dependent on space, knowledge distance, cultural distance and absorption ability.

## 2. The tacit knowledge sharing of transnational corporation

Through system analysis of knowledge management practice, we can see that the tacit knowledge transfer of transnational corporations mainly includes following forms.

(1) Scene demonstrations inspection. Through scene demonstration study, TNCs managers can learn the advanced experience and knowledge of other enterprises, thereby promoting transnational corporations internal organizational learning and knowledge transfer. For example, to enable the management staff to NUMMI(a joint venture between GM and TOYOTA enterprises) to learn its unique production practices, General Motors Corp launched a series of professional and demonstration activities. Each demonstration activities are reflected in their outstanding management policies, practices and systems, some of the design for the middle and senior management, while the other is for the bottom.

(2) Conference and forum. The conferences and forums with various topics periodically can strengthen the link between the parent company and overseas subsidiaries. The managers of the parent company and overseas subsidiaries can realize knowledge sharing through formal and informal individual communications in the conference or forum. More communications will produce more talking and stimulate employees' sixth senses, intuitions, thinker modes, beliefs, experiences and other tacit knowledge, and make for the speed of "exteriority" and "socialization". For example, Matsushita's overseas branches will be held regularly "zoning meeting" to compare their own performance, and highlight "best business". Through "zoning meeting", those firms with similar scale of the operation, similar business problems and similar stage of production can be regular exchange of information and dissemination of knowledge.

(3) Cross-functional team. The cross-functional team is generally composed by employees from different overseas

subsidiaries or departments, and it is a sort of organizational form independently existing for completing certain project or plan. Cross-functional team is a very flexible form, members in the different units within the organization can face-to-face exchange. Because the team members come from different departments, have different knowledge and experience, when they work together, they can observe and imitate each other, the new knowledge was soon learned and mastered, so cross-functional team cross-functional team is of benefit to the tacit knowledge sharing in the internal of multinational companies.

P & G's "European brand teams" is a success story of cross-functional team. The manager of "European brand teams" is the manager of a subsidiary of outstanding leadership, its members include other subsidiary responsible for manufacturing and advertising manager from Procter & Gamble Europe headquarters, as well as the headquarters of functional managers. "European brand teams" provides a forum for the exchange of knowledge, where managers can constructively address such issues as standard packaging models, and consistent brand positioning, as well as common advertising theme, and so on. They are even able to discuss some of the more competitive strategy on a wide range of issues, such as product display for the first time, the threat of competition for collaborative response.

(4) Personnel rotation. As early as in 1977, Edstrom and Galbraith noted that the rotation and transfer of personnel in the multinational corporations plays a very important role. With the increasing importance of the transfer of multinational global knowledge, personnel rotation, as for the flow of effective knowledge management tools, had become increasingly used by multinational corporations. Personnel rotation can enhance the communication between knowledge holders and recipients, and eliminate the cultural differences between the two, at the same time will also help to establish a personal network which can enhance their own knowledge and technology dissemination. In addition, personnel rotation will also help staff understand Enterprise business from various angles, so that the knowledge more easily transmitted and put into practice.

In the management of practice, there are usually three types of staff rotation of jobs: the first is the parent company for the main staff rotation and that various Managers of subsidiaries are assigned by the parent company. For example, Panasonic's foreign managers come from parent company, and they will come back after work 5 to 10 years there. The second is the staff rotation of the subsidiaries. For example, the most promising managers worked in Philips, spent mostly overseas, they work two to four years in every subsidiaries. The third is transnational personnel rotation, that is, mobility occurred in a balanced manner of parent companies and subsidiaries and affiliates. For example, Ericsson will form several team from 50 to 100 engineers and managers every two years. These teams will be flowed between Swedish parent company and all subsidiaries according to need.

(5) Educational training. The educational training is propitious to widen the transmitted channel of knowledge. Through taking part in the training project together, managers from different departments in the transnational corporations can develop formal and informal communications and establish close human relation network. The research of training project in Xerox Company shows that most skills learned by technical commissaries who take part in the training are not from formal training tutorial, but from some activities outside the relative domains, such as the participation to solve the actual problems and informal discussions with colleagues. In fact, when technical commissaries drink coffee, have lunch and solve difficult problems, their experiences told each other have very important meanings for their individual learning.

In addition, the educational training can also create organizational culture. Through training, employees are taught blueprint for the development and value systems of enterprises. For example, Matsushita requested that all white-collar employees accept the "cultural and spiritual" training during the first six months. They not only learn the tenets and seven spirits of Matsushita, at the same time, they have to study more comprehensive philosophy of Matsushita Konosuke. At the end of the educational training, the staff need to further discuss how to implement this philosophy into their daily work duties. In this way, the company's objectives and value system will become the staff's intrinsic concept. Also, it will become the basis for business decisions.

(6) Practice community. The practice community means the team of knowledge communication and sharing composed voluntarily by those employees with special specialties or works. The knowledge transfer process in the practice community can be looked as a fine circulation of "communication- trust- learning- sharing". Since they have the same interest and common aspiration of share the common knowledge and experience, so when members exchange experience together, it will develop into a common behavior, a common set of practices and a common vision, then members of the community create an atmosphere of mutual trust. In such an environment of mutual trust, members of the community are willing to take the knowledge and experience of others initiatively. To learn more knowledge, the more they are willing to share with other members of the knowledge, and knowledge sharing can trigger further exchange between members, thereby the virtuous circle of knowledge transfer in the community of practice is formed. For example, except for some directors, most members is voluntary to take part in the practice

community of Xerox Company, and members of the community are from various units, and they have diversiform backgrounds, and the knowledge leader is produced according to the actual problem by community members, and the high degree trust and communication exist among members, and though members are good at utilizing information technology, they will communicate usually face to face, and whatever the knowledge they have learned themselves or knowledge from exterior, they will share with community members to the sky.

### 3. Conclusion

Knowledge is the source of enterprise competitive predominance, and tacit knowledge sharing is fundamental of enterprise constant innovation. So the knowledge sharing within the organization, in particular the tacit knowledge sharing has always been the core of enterprise knowledge management, especially multinational companies. Because of the character differences between tacit knowledge and explicit knowledge, their transfer modes are different. However, that doesn't mean the insulation of these two modes. The electrical spread offers guide for the transfer of the tacit knowledge, but through the information knowledge loads explicit knowledge, it can indicate the owner of the tacit knowledge as a guider. Inquirers can find the potential owner of the tacit knowledge through database, electrical forum and other information system, and then obtain the tacit knowledge what they need through individual communications face to face. In other words, the information technology of promoting explicit knowledge and interpersonal communication of promoting tacit knowledge can be combined. To truly achieve all units of the effective transfer of knowledge, Multinational corporations must also treat the relation between the electrical spread and human communication exactly.

### References

- Simonin, B.L. (1999). Ambiguity and the Process of Knowledge Transfer in Strategic Alliances. *Strategic Management Journal*.
- Teece, D.J. (1981). *The Market For Know-how and the Efficient International Transfer of Technology*.