

Knowledge Transfer Across Borders in Multinational Companies

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Abstract: Hong Kong S.A.R., China is one of the most economically prosperous areas in the world, with numerous multinational companies (MNCs) operating here. It is of vital importance for MNCs to leverage their knowledge across the entire organization, including both the head office and overseas branches. However, many MNCs struggle with knowledge transfer across borders due to the differences in national cultural and institutional factors. Therefore, this research seeks to explore these factors affecting knowledge transfer in MNCs in the Hong Kong S.A.R., China. Six semi-structured interviews with professional practitioners were carried out. Knowledge is transferred in MNCs mainly by three processes, namely, on-the-job training, knowledge-sharing sessions, and knowledge retention of leaving employees. Cultural differences including language differences, geography differences and power distance, technical factors, and institutional differences, including organizational structure differences, senior management support, and employee motivation do affect knowledge transfer of MNCs. This study adds new insights into knowledge transfer issues across the boundaries of MNCs in Hong Kong. It provides significant managerial implications that are helpful to these multinational organizations to achieve effective knowledge management in the global context to overcome cultural and institutional obstacles.

Keywords: Knowledge Transfer, Knowledge Management, Multinational Companies (Mnacs), National Culture, Institutional Differences

1. Introduction

Knowledge management (KM) can be defined as a process involving a variety of activities, such as knowledge transfer, knowledge sharing, knowledge creation, knowledge retention, etc. (Alavi & Leidner, 2001). Such activities can generate value from an organization's knowledge assets (Mahalakshmi & Ally Sornam, 2012). Innovation in knowledge-intensive industries has an expected positive impact on job creation, the digital economy, and environmental protection (Grigorescu et al., 2020). By actively implementing KM, the quality of services can be improved, new methods can be created, and unnecessary costs can be reduced (World Bank, 2018). The knowledge transfer involves mobilization, assimilation, and exploitation of knowledge resources (Maurer et al., 2011) and encompasses a wide range of actions between individuals and groups; within, between, and among groups, and from groups to organizations to share the "know-how" of the best experts in a given domain (Paulin & Suneson, 2012). Transferring knowledge among employees benefits organizations and individuals by enhancing their capabilities (Sharifuddin & Rowland, 2004). However, KM becomes similar to a "bottleneck" as the managers do not have enough cognitive understanding of KM (Subanidja & Hadiwidjojo, 2017).

Knowledge transfer is one of the important processes of KM (Alavi & Leidner, 2001) that attracts much attention from scholars and practitioners, especially regarding knowledge transfer across borders. For example, Pérez-Nordtvedt et al (2008) examined 102 US organizations and found that the quality of the relationship between the source and the recipient has a strong positive impact on both the efficiency and effectiveness of cross-border knowledge transfer. Dinur et al (2009) revealed that contextual dissimilarity was an obstacle to best-practice transfers, such contextual factors including differences in culture, strategy, decision-making, environment, and technology. Sapuarachchi (2021) conducted an exploratory study by interviewing 15 employees in a US headquarter and its Sri Lankan subsidiary of the MNC. He showed that organizational knowledge transfer was influenced by cultural distance. By examining China-based MNC subsidiaries in the IT industry, Qin et al (2017) showed that cultural distance moderates the relationship between knowledge transfer and subsidiary performance. While other scholars examined the impacts of knowledge characteristics on knowledge transfer across borders. For instance, Argote and Ingram (2000) argue that the knowledge-embedded in people, tasks, and tools is the most difficult to transfer as such knowledge is least likely to fit the new context. In addition, some studies have focused on the key factors that affect knowledge transfer. Organizational culture, structure, knowledge recipients, types of knowledge play an important role in effective knowledge transfer. Social capital dimensions, such as network ties, network configuration, work stability, shared goals, shared culture, and trust

influence the effectiveness (Inkpen & Tsang, 2005) and speed (Chen & Lovvorn, 2011) of knowledge transfer. Argote (2024) claims that some factors, including opportunities, knowledge characteristics, knowledge transfer mechanisms and motivation, and the depth of knowledge will affect the success of knowledge transfer.

Despite widespread recognition of the importance of knowledge flows in international organizations, it is necessary to examine the factors influencing knowledge transfer in different cultural and institutional contexts. In addition, Hong Kong S.A.R., China, serving as a financial center in South Asia attracts thousands of MNCs to open up their subsidiaries there, however, limited attention has been paid to examine the factors affecting knowledge transfer in these organizations in Hong Kong S.A.R., China. On the other hand, Hong Kong is recognized as a modern city where Western and Eastern cultures are well merged. Therefore, it is necessary to examine potential factors that could affect knowledge transfer of MNCs in Hong Kong to offer new insights into KM literature. This study aims to investigate:

- How do MNCs transfer their knowledge?
- What are the factors that affect knowledge transfer in MNCs?

2. Methodology

The qualitative data analysis was adopted since this method is appropriate as it provides an “up-close grounded” perspective (Shaw & Luiz, 2018). This involved in-depth interviews with practitioners who have extensive relevant experience and knowledge to obtain primary data. The researchers developed a semi-structured interview guide to capture a range of personal experiences, including open-ended questions asking about various aspects of KM practices. Six qualified interviewees were selected from international companies in Hong Kong, China. Each of them has extensive working experience in MNCs, with an average of over 15 years in the practice. All interviews were carried out in English by face-to-face interviews or online meetings and audiotaped.

The data collected was analyzed using content analysis following Mayring (2000). The interviews' audio tapes were verbatim transcribed. After transcription, the data was coded. Each statement of transcriptions was broken down into smaller textual units for analysis and coded each interview line by line based on the knowledge offered by the reviewers. Different colors were used for the coding items to identify key similarities across the interviews. Similar codes were merged and combined together to form higher-level categories to create themes. The research team met regularly to demonstrate the coding process, discuss coding discrepancies, and clarify any ambiguities in the coding process to ensure reliability and validity.

3. Findings

3.1 Knowledge Transfer Process in MNCs

Knowledge is transferred mainly by three processes, namely, on-the-job training, knowledge-sharing sessions, and knowledge retention of leaving employees.

On-the-job training. On-the-job training typically occurs when new employees or management trainees enter the company on a rotational basis. These training initiatives transfer knowledge to employees focusing on skill development, and compliance requirements through a blend of online modules, face-to-face sessions, and e-learning platforms. By providing training programs, organizations empower staff to enhance their capabilities and adapt to changing roles. According to participant D from a nationalized commercial bank:

Normally if a staff member joins our company or bank, intensive training would be [D-01-KTM-OTB].

Knowledge sharing session. MNCs hold knowledge-sharing sessions from time to time for knowledge transfer and sharing activities. Different MNCs have different formats for knowledge-sharing sessions, including seminars, workshops, labs, and coffee sessions. Knowledge-sharing sessions play a role in sharing expertise, discussing industry trends, and fostering cross-functional collaboration. These sessions promote a culture of knowledge transfer, encourage collaboration, and nurture a learning community within the organization. Participant A from a major commercial bank, who is the initiator of the internal knowledge-sharing session in his MNC, explained this:

... organize some team meetings... we...share about what they do of the week. It's like a PC lab meeting [A-01-KTM-KS].

knowledge retention of leaving employees. Knowledge and information are passed from departing employees—

due to retirement, resignation, or relocation—to their successors within MNCs. It helps in capturing tacit knowledge, experiences, and insights of leaving staff before they leave the organization. Organizations prioritize this transition of knowledge, job-related insights, and key contacts to mitigate the impact of staff turnover on business operations. Although multinational organizations have a knowledge retention mechanism for leaving employees, they still lack standardized procedures to transfer knowledge. According to participants E and D:

They usually try their best to arrange a transition period for the departing staff, transition over to the new staff, to hand over important account matters or any Excel models [E-01-KTM-DKT].

3.2 Influence Factors to Knowledge Transfer in MNCs

Three groups of factors that affect knowledge transfer in MNCs are identified, namely, culture differences factors, technical and process factors, and institutional factors.

3.2.1 Cultural Differences

Cultural differences impact knowledge transfer in MNCs by three factors, first, *language differences and geography differences*. Language significantly impacts communication and cooperation within teams. Language differences result in communication not being smooth and teamwork being hindered, creating communication barriers and thus hindering knowledge transfer across boundaries in organizations. This is particularly evident in MNCs. Participant B expressed as:

... consultants from Morocco speak French. In this way, communication and knowledge transfer were hindered [B-02-C-LG].

Second, geographical differences also impact knowledge transfer, partly due to the disconnection in teamwork interactions caused by time zone differences. According to participant A:

It's like, it's my morning, you must take my calls. But that's my night...[A-02-C-G].

Third, power distance in MNCs can hinder the knowledge transfer process. Hierarchical structures and cultural norms, for example, the UK and Hong Kong subsidiaries may lead to a sense of self-limitation among employees and hinder close interaction with the team. This may manifest itself in communication patterns such as lengthy explanations in emails, reflecting the need to justify their behavior due to a perceived power differential, thus the efficacy of knowledge transfer within the organization. Participant A exemplified it as follows:

UK still sends the air of hierarchy right to Hong Kong.....there's also going to be power distance in the cultural aspects as well..... people have a sense of self-limiting, that's a sort of a power distance between people and perception.....for example, if you work with India team sometimes they write long emails explaining things and explaining why not and all that stuff [A-02-C-PW].

3.2.2 Technical Factor

The lack of specialized platforms and standardized tools is a significant barrier for MNCs to transfer their knowledge. Platforms such as Microsoft 365 and Zoom are commonly used for communication and collaboration within companies. Existing platforms are mainly used for training and documentation rather than as comprehensive knowledge databases to facilitate organizational knowledge sharing and transfer. According to participants B and E:

We don't have any specialized IT platforms for knowledge sharing, just simply use Microsoft 365 [B-02-SP-P].

The platforms are designed and only used for training...there is no platform or knowledge database where you can look up easily for information and knowledge [E-02-SP-P].

In terms of tools, MNCs face challenges in centralizing the use of the same tool for all staff across national boundaries, due to the varying needs of different teams and the market challenges associated with replacing systems. There are differences in the level of understanding of analytics and use of tools, as well as varying levels of capacity and sophistication in different locations.

3.2.3 Institutional Differences

Institutional differences are reflected by organizational structure differences, senior management support, and

employee motivation.

There are clear structural differences within Hong Kong multinational organizations, particularly in terms of communication and knowledge transfer between the headquarters and the branch office. The staff of headquarters work independently and have limited interaction with branch staff. The lack of formal reporting and communication channels between the head office and branches has resulted in knowledge and information transfer being compromised due to the organizational design. Despite being part of the same organization, regulatory differences between nations create barriers to effective knowledge exchange. According to participant D:

There is no official exchange for cross-border branches, we have less chance to the head office to learn from them.....it is in two borders, the regulations and regulators are different, for many reasons or situations, it is not easy to exchange or transfer for knowledge.....that means the knowledge there (headquarter) and the knowledge here (branch) it's not quite overlap [D-02-I-OS].

In addition, we found a lack of specialized KM teams in large multinational organizations, resulting in insufficient leadership support for KM practices. Senior management prioritizes profitability over KM. Senior management support for knowledge transfer appears to be driven more by profitability considerations than by clear delegation of authority, causing delays in workflow and impeding the effective implementation of knowledge transfer. According to participant B:

There's no defined knowledge management team, there's no knowledge manager per se for this team...They (Senior managers) are more concerned about if the Commission is making profits. They're not much concerned about knowledge management [B-02-I-SMS].

Employees' motivation to learn new knowledge and share knowledge can affect knowledge transfer in multinational organizations. As employees of MNCs, they may be reluctant to learn new knowledge on their own but rather expect the company to provide training. Many bank employees prefer to wait for formal training rather than actively seek knowledge. Some employees may not be interested in learning about new systems or technologies. Employees may feel hesitant or unwilling to share knowledge unless prompted or in line with the team culture. These employee motivations hinder knowledge transfer in the organization. Participant F mentioned:

If you don't ask and I (volunteer to) share it (knowledge) with you, I think I'm a little bit weird about that. I won't take the initiative to say [F-02-I-EM].

The factors that influence knowledge transfer in MNCs are shown in Figure 1.

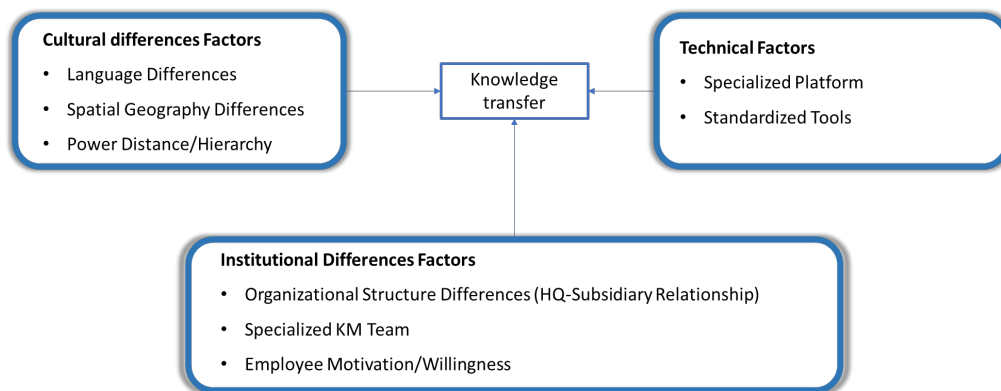


Figure 1: Factors affecting knowledge transfer in MNCs

4. Discussion

Knowledge transfer across boundaries is of vital importance to MNCs (Sharma & Phookan, 2022). However, many multinational organizations are not actively practicing knowledge transfer. Our findings show that MNCs primarily transfer knowledge through on-the-job training, and knowledge-sharing sessions and try to arrange a transition period for departing staff members. These limited approaches to knowledge transfer may impede the organization's ability to effectively transfer and retain critical knowledge assets (Liu, Farzad, et al., 2022; Sumbal et al., 2023). To enhance knowledge transfer within MNCs, organizations need to develop more comprehensive

strategies and mechanisms for transferring knowledge across borders and institutional areas.

The results suggest factors affecting knowledge transfer within MNCs, as well as across borders, including a range of challenges. In line with Gaur et al. (2019), at country level, cultural differences and linguistic barriers, such as differences in communication styles and fluency issues; geographic differences and time zone communication barriers; power distances affecting hierarchies and communication norms; formal and informal institution; structural deficiencies in standardized processes and knowledge transfer mechanisms; these factors largely hinder knowledge transfer across boundaries (Cuervo-Cazurra & Rui, 2017; Liu, Tsui, et al., 2022b). In response to these findings, existing research mentioned that organizations need the formalization and standardization of processes to provide support for their effectiveness as facilitators of consistent knowledge transfer (Zeng et al., 2018). Addressing power distance issues through cultural sensitivity training, fostering open channels of communication can help MNCs transfer and share knowledge more effectively. Besides, MNCs have difficulties in standardizing tools and platforms across locations, limited specialized knowledge platforms lead to differences in capacity and access to resources. A KM system should be developed (Liu, Kianto, et al., 2022) and emerging technologies, such as generative artificial intelligence (Nazeer et al., 2023) can be applied to transfer knowledge in MNCs. Therefore, organizations need to pay more attention to these standardized tools and platforms to create better conditions for effective knowledge transfer and improve organizational performance (Liu, Farzad, et al., 2022; Liu, Kianto, et al., 2022a).

Institutional differences impede cross-border knowledge transfer. MNCs have institutional borders within the organizations, for instance, knowledge transfer from the headquarter to subsidiaries as well as between subsidiaries across borders prevents knowledge exchanges between branches and headquarters (Zeng et al., 2018). Thus, knowledge transfer necessitates a culture of cooperation and collaboration between sources and recipients (Martins, 2016). On the other hand, lack of a specialized KM team and senior management support, and reluctance to learn independently cannot be ignored. Therefore, organizations need to focus on building a knowledge-friendly culture to provide environmental support for knowledge transfer (Liu et al., 2021).

5. Conclusion

This research revealed the issues of knowledge transfer in MNCs under the cross-border and cross-cultural contexts in Hong Kong. It reveals the impact of cultural differences such as power distance, language and geographical disparities on knowledge transfer in MNCs. This study also emphasizes the importance of establishing regulated knowledge transfer mechanisms, formalizing knowledge management processes, and utilizing formal knowledge management platforms and tools across institutions. This study contributes to KM literature by offering a framework that identifies factors that influence knowledge transfer in MNCs, especially in Hong Kong S.A.R., China. Managers can take actions to mitigate the impacts of these factors to achieve effective knowledge transfer in their organizations, for example, building a KM team, developing a knowledge-friendly organizational culture, and initiating KM systems.

There are also several limitations in this research. First, only a small number of employees of major MNCs in the Hong Kong S.A.R., mainly in the financial sector were interviewed, which affects the generalizability of our findings. Within the financial sector, further classification of financial institutions based on their company size, geographical location, and service provision can help to have a better comprehensive understanding of knowledge transfer processes. Research should also be conducted in other regions with a large number of multinationals to understand the relevance of different cultural and institutional differences in knowledge transfer in different regions. The use of different research methods and personnel, e.g. surveying departed employees involved in knowledge transfer transitions, are also recommended.

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