Chapter I
HRM Practices and Knowledge Transfer in Multinational Companies

Dana B. Minbaeva
Copenhagen Business School, Denmark

ABSTRACT

This chapter introduces human resource management (HRM) practices that help multinational companies (MNCs) overcome knowledge transfer barriers (knowledge-driven HRM practices). It argues that MNCs can institute various HRM practices that impact knowledge transfer barriers associated with behavior of knowledge senders and receivers. HRM practices relevant for absorptive capacity of subsidiary employees form two groups—cognitive (job analysis, recruitment, selection, international rotation, career management, training, and performance appraisal) and stimulative (promotion, performance-based compensation, internal transfer, orientation programs, job design, and flexible working practices). The application of cognitive HRM practices enhances the ability of knowledge receivers to absorb transferred knowledge, while the use of stimulative HRM practices increases their motivation. Temporary and permanent types of international assignments respectively influence the ability and motivation of expatriate managers to share their knowledge.

INTRODUCTION

Previous research has found that the competitive advantage that multinational corporations (MNCs) enjoy over national firms is contingent upon the MNCs' ability to exploit knowledge internally across organizational units. A common theme in this line of research is that MNCs can develop knowledge in one location and then exploit it in other locations, requiring an internal transfer of knowledge. It should not be assumed that internal knowledge transfer is ever unproblematic. The transfer impediments that have attracted researchers' attention to date are: the characteristics of the

transferred knowledge (Zander & Kogut, 1995; Szulanski, 1996; Simonin, 1999a, 1999b), knowledge sources (Foss & Pedersen, 2002), absorptive capacity (Szulanski, 1996; Lyles & Salk, 1996; Lane & Lubatkin, 1998; Gupta & Govindarajan, 2000; Lane, Salk, & Lyles, 2001; Minbaeva, Pedersen, Bjorkman, Fey, & Park, 2003), and the organizational context in which the transfer takes place (Szulanski, 1996; Simonin, 1999a, 1999b; Bresman, Birkinshaw, & Nobel, 1999; Gupta & Govindarajan, 2000). Taken together, the findings suggest several generalizations about what is known regarding the process of knowledge transfer and its determinants. However, there are several areas that have been bypassed which therefore create shortcomings in our understanding of the knowledge transfer process. For example, until recently, transfer of knowledge has been rarely taken to be endogenous to organizational processes and arrangements (Foss & Pedersen, 2002). Despite an increasing interest in the subject, it is surprising how little empirical research has actually been conducted on the topic. In the conclusions of the few studies that included organizational practices (e.g., Lane & Lubatkin, 1998; Gupta & Govindarajan, 2000), we often find calls for further research on "the learning capacities of organizational units," "more explicit description of the motivation and cooperative choices of the organizational individuals," "organizational mechanisms to facilitate knowledge acquisition," and so forth. This study has undertaken the task of addressing these calls by considering the following question: *What human resource management (HRM) practices could MNCs employ to enhance knowledge transfer from the headquarters to the overseas subsidiaries and in which combination?* In particular, the chapter suggests that MNCs can institute various organizational policies and practices to overcome transfer barriers associated with knowledge transfer determinants, thereby facilitating internal knowledge transfer. It differs from the existing limited work on HRM and knowledge transfer by introducing a wider range

of HRM practices and considering them as a set of interrelated activities.

To clearly present the assumed relationships between HRM practices and knowledge transfer, I start by reviewing the findings of HRM-performance research to identify HRM practices that help organizations overcome knowledge transfer barriers. Once the question of *what* HRM practices are important is addressed, the next step is to determine *in which combination* HRM practices matter to knowledge transfer. Rather than using statistical techniques to group HRM practices such as factor and cluster analysis, it was recommended to try to *theoretically* identify groups of HRM practices (Guest, 1997; Delery, 1998). In this regard, literature points to the possibility of expanding the framework linking HRM practices and organizational outcomes by introducing mediating variables—that is, determinants of knowledge transfer (Minbaeva, 2007). Two determinants related to the behavior of individuals were identified in the MNC knowledge transfer literature—absorptive capacity of knowledge receivers (ability and motivation to absorb knowledge) and disseminative capacity of knowledge senders (ability and motivation to disseminate knowledge). These are considered as mediating variables in the relation between HRM practices and knowledge transfer, both of which in turn enhance the degree of knowledge transfer to the focal subsidiary.

The first set of hypotheses on the link between HRM practices and knowledge transfer examines the relationships between HRM practices and absorptive capacity of knowledge receivers (subsidiary employees). The use of *cognitive HRM practices* (job analysis, recruitment, selection, international rotation, career management, training, and performance appraisal) is expected to be positively related to the receivers' ability to absorb knowledge, while the employment of *stimulative HRM practices* (promotion, performance-based compensation, internal transfer, orientation programs, job design, and flexible working practices)

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