



UNIVERSITY OF AGDER

Human Resources Practices Influencing the Knowledge Transfer within the Multinational Corporations

Mediating Effect of Social Capital

Onur Can Yayintas

Supervisor

Bjørn-Tore Flåten

This Master's Thesis is carried out as a part of the education at the University of Agder and is therefore approved as a part of this education. However, this does not imply that the University answers for the methods that are used or the conclusions that are drawn.

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ABSTRACT

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Author: Onur Can Yayintas canyayintas@gmail.com

Supervisor: Bjørn-Tore Flåten bjorn-tore.flaten@uia.no

Purpose: The purpose of this study is to support the inadequate empirical studies existing in the related literature –the ways human resources practices facilitating knowledge transfers by developing social capital within multinational corporations.

Method: Relevant data is collected through seven in-depth interviews with executives of a multinational corporation from Norway. Qualitative analysis has been used at data analysis stage.

Findings: Findings indicate that training and internal communication as human resources management practices has an influence on knowledge transfers. Also, cognitive social capital among employees exists. The main finding of this study is meetings as a component of internal communication helps improving personal relationships among employees thus facilitates KTs within the company by developing social capital which extends the related literature.

Key Words: Knowledge Transfer, Human Resources Practices, Social Capital, Qualitative Research Design, Norway

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Onur Can Yayintas
Kristiansand, Norway

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INTRODUCTION

As business becomes increasingly global, Multinational Corporations` (MNCs) activities are outside the countries in which they are headquartered and their research and development (R&D) footprints reflect the need to succeed in the global economy — to compete against nimble and fast-growing local and international operators, win share in unfamiliar new markets, understand the customers in those markets, recruit talented scientists and engineers, and capture the best ideas from around the world (Jaruzelski & Dehoff, 2008). Research in the area of knowledge management indicates that the ability to create and transfer knowledge internally is one of the main competitive advantages of MNCs (Minbaeva, Pedersen, Björkman, Fey, & Hyeon Jeong, 2003, p. 586). MNC consists of a group of geographically dispersed and goal-disparate organizations that include its headquarter and the different national subsidiaries which can be conceptualized as an inter-organizational network that is embedded in an external network consisting of all other organizations such as customers, suppliers, regulators, and so on, with which the different units of the multinational must interact (Ghoshal & Bartlett, 1990, p. 603). Since the conception of the strategically most important resource of the firm is its knowledge, the issue of transferability of that knowledge within the firm is even more critical than external network of the firm (Grant, 1996). According to the knowledge based view (KBV) of the firm, MNCs exist primarily because of their superior ability to engage in internal knowledge transfer, this does not in any way imply that such knowledge transfers (KT) actually take place effectively and efficiently on a routine basis (Gupta & Govindarajan, 2000). As Ghoshal and Bartlett (1990), and Gupta and Govindarajan (2000) suggest, KTs within the MNCs take place within the context of an inter-organizational “network” of differentiated units. “Sourcing, sharing, combining, and integrating knowledge are processes that increase firm-level capabilities or competencies; to the extent that human resources management (HRM) matters to these processes, it also matters to firm-level knowledge constructs (Minbaeva, Foss, & Snell, 2009). As Kogut and Zander (1992) suggest that the knowledge of the firm must be understood as socially constructed, as resting in organizing human resources (HR). HRM can contribute to the bottom line through increased involvement with the whole web of relationships that occur in and across organizations and HRM can also tap into this web of relationships, observe what's going on, encourage and nurture some, discourage others, and manage them all for the organization's benefit (Lengnick-Hall & Lengnick-Hall, 2003). HRM activities help increase

employees' knowledge and skills (i.e., human capital), facilitate group interaction and knowledge sharing (i.e., social capital), and enable organizations to store knowledge in systems, routines, processes, and cultures (i.e., organizational capital), which, in turn, drive organizational performance (Wright, Benjamin, & Scott, 2001). With regard to knowledge sharing, social capital determines whether or not individuals have the opportunity to share their knowledge with others (Cabrera & Cabrera, 2005). In other words, people who have close relationships with each other are more likely to share information and facilitating (Evans, Pucik, & Bjorkman, 2011, p. 220). Every organization also has its informal networks –people who know each other and help each other regardless of rank, function or job title. In today`s knowledge economy, social capital and relationships for the most effective firms extend well beyond conventional organizational boundaries (Lengnick-Hall & Lengnick-Hall, 2003, p. 53). By employing organizational practices that remove traditional boundaries, organizations may establish the environment that promotes knowledge transfer (Minbaeva, 2005).

However, “the literature has often paid very little attention to the idea that MNCs can institute various organizational policies and practices to facilitate knowledge transfer within MNCs” (Minbaeva, 2005, p. 125) and calls for further research can be seen such as; “more explicit description of the motivation and cooperative choices of the organizational individuals” and “organizational mechanism to facilitate knowledge acquisition” (Minbaeva, 2005). “Clearly, HRM practices and knowledge-related outcomes are associated, but their link still misses some important aspects of the interpretation and empirical support” (Minbaeva, 2005, p. 126). Since the gap in the literature has shown –the ways HRM practices facilitating KTs, the purpose of this study is to support the inadequate empirical studies existing in the related literature. According to the relations between HRM practices and social capital of the firm (1); and the impact of social capital on knowledge transfers within the MNCs (2), the objective of this research is to examine the mediating role of social capital between HRM practices and KTs within the MNCs. The research question in this paper is how HRM practices influence KTs within MNCs by developing social capital.

The theoretical background of this paper is organized to help understanding of relative concepts starting with KTs within MNCs. The following 2 sections –RBV of the firm and KBV of the firm- are included for better understanding of related literature in terms of knowledge, where the latter sees the most important resource of the firm as knowledge (Grant, 1996) . After that, social capital of the firm is presented and the ways it affects to KTs.

In the final section of theoretical background included in this study, HRM practices are presented and the ways they influence social capital and KTs within MNCs. After the background of related theory is presented, the methodology used in data collection and analysis take place. Finally, findings and discussion parts are presented before concluding the paper.

THEORETICAL BACKGROUND

Before beginning presentation of KTs within MNCs, it is important to know what knowledge really is. Kogut and Zander (1992) distinguish between two categories of knowledge as information and know-how. Information implies knowing what something means where know-how is a description of knowing how to do something.

Knowledge Transfer

Knowledge transfer in organizations is the process through which one unit (e.g., group, department, or division) is affected by the experience of another (Argote & Ingram, 2000). Organizational activities have become a competitive necessity since a firm's employees must share their knowledge, yet, sharing is hard to ensure, because knowledge is generated and initially stored within the employees (Wing & Lai Sheung, 2008). KTs are dyadic exchanges of organizational knowledge between a source and a recipient unit in which the identity of the recipient matters. The exchange of organizational knowledge consists of an exact or partial replication of a web of coordinating relationships connecting specific resources so that a different but similar set of resources is coordinated by a very similar web of relationships (Szulanski, 1996, p. 28). However, Nonaka (2007) includes the terms the "explicit" and "tacit" knowledge. The former is formal and systematic. For this reason, it can be easily communicated and shared, in product specifications or a scientific formula or a computer program. On the other hand, tacit knowledge is described as –in Polanyi's (1966, p. 4) words "We can know more than we can tell". In other words, it is personal, intuitive and context specific. Tacit knowledge is difficult to verbalize, formalize and communicate to others. Szulanski (1996) suggests the ability to transfer best practices internally is critical to a firm's ability to build competitive advantage through the appropriation of rents from scarce internal knowledge. Just as a firm's distinctive competencies might be difficult for other firms to imitate, its best practices could be difficult to imitate internally. The major barriers to internal knowledge transfer to be knowledge-related factors such as the recipient's lack of absorptive

capacity, causal ambiguity, and an arduous (i.e. laborious and distant) relationship between the source and the recipient. His results suggest that one of the most important impediments to knowledge transfer is an arduous relationship between the source and the recipient within the firm. He concludes that using only incentive systems to mitigate internal stickiness (the stickiness of a given unit of information in a given instance as the incremental expenditure (cost) required to transfer that unit of information to a specified locus in a form usable by a given information seeker (von Hippel, 1994, p. 430)) of knowledge transfers is inadequate or misled, it might be profitable instead to devote scarce resources and managerial attention to develop the learning capacities of organizational units, foster closer relationships between organizational units, and systematically understand and communicate practices.

Gupta & Govindarajan (2000) suggests that because MNCs are complex multi-dimensional entities, knowledge flows within such enterprises occur not only along multiple directions but also across multiple dimensions. They also suggest that knowledge transfer is possible only when the close relationships between senders and receivers are established. They also find that corporate socialization mechanisms between focal subsidiary and the rest of MNC are positively associated with knowledge transfer into that subsidiary.

As strategy, organizational structure and functions differ across MNCs, it is suggested that no single best way of transferring knowledge exists (Szulanski, 1996). On the contrary, Chini (2005, p. 58) proposes that the transfer of knowledge has to correspond to the strategic network position of the organizational unit as well as to the unit's internal capabilities to manage knowledge.

Since the research question of this study is how HRM practices influencing KT within MNCs by developing social capital, an understanding of the literature related about KTs within MNCs is needed before presenting the role of social capital and HRM practices on KT. After reviewing the literature, Resource-based view (RBV) of the firm and KBV of the firm are seen as related literature about KTs within MNCs which will be presented in the next section. In this paper, RBV and KBV of the firm are presented to have a better grasp of theoretical background for the research question.

The Resource-Based View of the Firm

Wernerfelt (1984, p. 172) defines resources as anything which could be thought of as a strength or weakness of a firm. Moreover, Barney (1991) distinguishes resources of the firm into three: physical capital resources (physical technology used in the firm, plant and

equipment, firm`s geographic location and firms access to raw materials), human capital resources(training, experience, judgment, intelligence, relationships, managers and workers) and organizational capital resources (firm`s structure, planning, controlling, coordinating systems, as well as informal relations among groups within a firm and between a firm and those in its environment). He assumes that strategic resources are heterogeneously distributed across firms and that these differences are stable over time (imperfectly mobile). He discusses four indicators of firm resources to generate sustained competitive advantage – value, rareness, imitability and substitutability. He suggests that not all firm resources hold the potential of sustained competitive advantage. To have this potential, a firm resource must have four attributes; It must be *valuable*, in the sense that it exploits opportunities and/or neutralizes threats in a firm`s environment (1); It must be *rare* among a firm`s current and potential competition(2),It must be imperfectly imitable is that they may be very complex social phenomena, beyond the ability of firms to systematically manage and influence(3); and there cannot be strategically equivalent substitutes for this resource that are valuable but neither rare or imperfectly imitable. These attributes of firm resources are and thus how useful these resources are for generating sustained competitive advantages. And he ends up by arguing that sources of sustained competitive advantage are firm resources that are valuable, rare, imperfectly imitable and non-substitutable. He also describes *a competitive advantage* as “ implementing a value creating strategy not simultaneously being implemented by any current or potential competitors” and *a sustained competitive advantage* as “ implementing a value creating strategy not simultaneously being implemented by any current or potential competitors *and* these other firms are unable to duplicate the benefits of this strategy”. Moreover, he extends his argument “A firm`s potential for competitive advantage depends on the value, rareness, and imitability of its resources and capabilities. However, to fully realize this potential, a firm must be organized to exploit its resources and capabilities” (1997, p. 160).

The RBV of the firm explains and predicts why some firms are able to establish positions of sustainable competitive advantage and earn superior returns and perceives the firm as a unique bundle of idiosyncratic resources and capabilities where the primary task of management is to maximize value through the optimal deployment of existing resources and capabilities, while developing the firm's resource base for the future (Grant, 1996).

Knowledge-based View of the Firm

KBV focuses on the knowledge of the firm amongst existing resources of the firm. Grant (1996) argues that KBV of the firm is an outgrowth of the RBV of the firm and addresses the nature of coordination within the firm, organizational structure, the role of management. As it has mentioned earlier, KBV of the firm claims that the strategically most important resource of the firm is its knowledge. The knowledge of the firm is observable; operating rules, manufacturing technologies and customer data banks are tangible representations of this knowledge. The central competitive dimension of what firms know how to do is to create and transfer the knowledge efficiently within an organizational context. Organizations are social communities in which individual and social expertise is transformed into economically useful products and services by the application of a set of higher-order organizing principles. Firms exist because they provide a social community of voluntaristic action structured by organizing principles that are not reducible to individuals. The knowledge of the firm must be understood as socially constructed, or, more simply stated, as resting in the organizing of human resources (Kogut & Zander, 1992). According to this view, the following section is focused how knowledge of the firm is socially constructed and related with firm's social capital.

Social Capital

Theorization on determinants of KT in MNCs has focused both on the MNC's external environment and on its internal environment (Gooderham, 2007, p. 37). Nahapiet and Ghoshal (1998) argue that organizations, as institutional settings, are conducive to the development of high levels of social capital. They argue that organizations may gain competitive advantage by their social capital -increases efficient knowledge transfers because it encourages cooperative behavior. Coleman(1988) argues that social capital constitutes a particular kind of resource available to an actor which has control over certain resources and interests in certain resources and events. He defines the social capital by its function which is not a single entity but variety of entities, with two elements in common: they all consist of some aspect of social structures, and they facilitate certain actions of actors –whether persons or corporate actors- within the structure. According to Nahapiet and Ghoshal (1998), social capital is distinguished as well which it is presented separately to be able to have a better understanding of different dimensions.

Dimensions of Social Capital

Nahapiet and Ghoshal (1998) distinguish three dimensions of social capital: the relational, the cognitive and the structural.

Relational Dimension of Social Capital

According to Nahapiet & Ghoshal (1998) the relational dimension of social capital refers to personal relationships of individuals and their traits such as trust, obligations, norms and identifications. Cabrera & Cabrera (2005) suggest that reasoned action theory is to influence intentions to share knowledge, one must first identify the factors that affect people's attitudes towards sharing and their perception of norms for sharing and identifications. The relational dimension influences whether or not individuals have the motivation to share what they know with others. Although the opportunity to share may exist, an individual may not be willing to share. The willingness or motivation to share will be higher when employees trust and identify with one another. So, relational social capital should help to encourage knowledge sharing.

MNCs rely on advances in information technology; without wireless phones, e-mail, and the Internet, the coordination of geographically dispersed activities would be a lot more difficult. When there is a need to collaborate across borders, to transfer and assimilate know-how, or to resolve conflicts or differences in perspectives, employees act in the same way as their less enabled predecessors –they rely on those they know, trust and understand. Within MNCs, social relationships improve communication between employees and facilitate the development of trust and collaboration. Close relationships between employees ease to share information and offer assistance, and facilitate collaboration in the social network. Close relationships among individuals can become a feature of an entire group or organizational unit (Evans, et al., 2011). Socio-cognitive approaches to motivate behavior such as incentive rewards, trust, relationships, etc. help promoting knowledge sharing (Wing & Lai Sheung, 2008). The parties of a relationship jointly own social capital, with no exclusive ownership rights to individuals. Thus, it is fundamentally concerned with resources located within structures and processes of social exchange; as such, the development of social capital is significantly affected by those factors shaping the evolution of social relationships (Nahapiet & Ghoshal, 1998).

Cognitive Dimension of Social Capital

The cognitive dimension refers to shared narratives of the individuals and their shared language and codes (Nahapiet & Ghoshal, 1998). The two facets of the cognitive dimension of social capital that Inkpen and Tsang (2005) address are shared goals and shared culture among network members. Shared goals represent the degree to which network members share a common understanding and approach to the achievement of network tasks and outcomes.

Depending on the network type, the tasks and outcomes may vary in clarity and definition. Members of an intra-corporate network usually work toward a common goal set by headquarters, although they may have to fulfill certain secondary goals related to their own products and markets. Partner firms often have different goals in mind when they enter a strategic alliance. Negotiation helps partners arrive at goals that are acceptable to most, if not all, of them. In an industrial district there are likely to be few shared or even compatible goals, owing to the complexity of the network ties. “When organization members have the same perceptions about how to interact with one another, they can avoid possible misunderstandings in their communications and have more opportunities to exchange their ideas or resources freely. Furthermore, the common goals or interests they share help them to see the potential value of their resource exchange and combination. As a result, organization members who share a vision will be more likely to become partners sharing or exchanging their resources” (Tsai & Ghoshal, 1998, p. 467). A social network and shared goals contribute to a person’s volition to share knowledge and the perceived social pressure of the organization. The presence of shared goals promotes mutual understanding and exchange of ideas. Shared goals is the force that holds people together and lets them share knowledge (Wing & Lai Sheung, 2008). Thus, a precondition for the development and maintenance of relational and cognitive dimensions of social capital is that of sustained social interaction. Moreover, particularly rich patterns of interaction are important when the knowledge to be transferred is not codified” (Gooderham, 2007, p. 37). “With regard to knowledge sharing, the first two types of social capital (structural and cognitive) determine whether or not individuals have the opportunity to share their knowledge with others. The opportunity to share is increased when individuals spend more time together, not only because increased interaction leads to more frequent communication, but also because communication is more effective due to the fact that these interactions also result in a shared language and codes (Cabrera & Cabrera, 2005).

Gooderham (2007) argues that the social interaction ties may not be sufficient for a shared language and shared systems of meaning to emerge. The implication is that the development of the cognitive dimension of social capital requires particular attention by MNC managers.

Structural Dimension of Social Capital

Structural dimension refers to network ties between units of MNC configuration of these ties. Network ties facilitate social interaction, which in turn stimulates the development of the cognitive and relational dimensions of social capital (Nahapiet & Ghoshal, 1998). Gooderham

(2007) suggests that the selection and application of transmission channels, socialization mechanisms (the internationalization of MNC-wide shared goals and mutual understanding) and motivational mechanisms can be developed and applied by managers in order to develop dynamic capabilities required for augmentation of the structural and cognitive dimensions of social capital. They can determine the degree of social interaction and the development of a common language and set of meanings. Thus, leveraging of “know-how” is a management perspective in the sense that it is the purposeful design, selection and combination of transmission channels, socialization mechanisms and motivational mechanisms that are the key to developing the various dimensions of social capital that are key to knowledge transfer.

Overall, Yamao, Cieri and Hutchings (2009, p. 534) suggest that social capital available to a firm can be built when employees are working in teams and encouraged to learn from their colleagues and/or parties outside the firm, such as customers, suppliers, and alliance partners. Therefore, HR practices can be regarded as one of the antecedents of social capital. The following section is included to help to increase understanding of the ways HRM practices can contribute firm`s social capital and KT and their connections.

Human Resources Practices

Youndt and Snell (2004) suggest that HR activities help increase employees' knowledge and skills (i.e., human capital), facilitate group interaction and knowledge sharing (i.e., social capital), and enable organizations to store knowledge in systems, routines, processes, and cultures (i.e., organizational capital), which, in turn, drive organizational performance.

Human capital is owned by employees, not by organizations. Employees are free to leave the firm which creates a significant risk of a capital loss for the organizations unless knowledge held by individuals is not transferred or shared. This highlights the need for social capital to protect the investments of organizations in knowledge-based sources of advantage. Such a linkage between social capital and performance highlights the importance of relationships among employees in terms of knowledge. Organizations may establish the environment that promotes knowledge transfer by employing organizational practices that remove traditional boundaries (Minbaeva, 2005).

While successful companies that are able to outperform their competitors deploy different HRM practices, all these companies are clear about which organizational capabilities are needed to support their business model, and they make sure that their HRM practices drive the necessary actions and behaviors. However, as these companies internationalize, the challenge

they face is how management practices that successfully support organizational capabilities in one country can be adapted to another. Yet, these practices generally failed when transferred to the newly acquired units abroad (Evans, et al., 2011). HRM practices refers to the activities undertaken by an organization to effectively utilize its HR (Dowling, Festing, & Engle, 2008).

There are many ways of conceptualizing HRM practices. Gupta and Singhal (1993) conceptualize HRM practices along four dimensions:

- 1) *Human Resources Planning*, which involves analyzing personnel needs, and selecting and hiring qualified people in order to achieve short and long-term corporate goals(1) and creates effective venture teams that can rapidly develop and introduce new products(2).
- 2) *Performance Appraisal*, which involves appraising and rewarding personnel performance that can encourage employee behavior on developing new products for the company.
- 3) *Reward Systems*, which companies use to motivate their employees to achieve goals of innovation, productivity and profitability. An effective reward system motivates employees to take risks, develop successful new products, and generate more new product ideas.
- 4) *Career Management*, which is managing the careers of the employees to create a match between the long-term goals of employees and those of the organization. Employees` careers can be effectively managed by empowering them, and through education and training programs.

However, Minbaeva et al. (2003) conceptualize HRM practices as training, performance appraisal, performance-based compensation and internal communication. The results show that investments in the extensive use of training, performance appraisal, performance-based compensation and internal communication contribute to MNCs KT. In this paper, HRM practices are conceptualized according to this view since the research question stated as how HRM practices influence knowledge transfers within MNCs via social capital.

Training

The human resource refers to the accumulated stock of knowledge, skills and abilities that individuals possess, which the firm has built up over time into an identifiable expertise (Kamoche, 1996, p. 216). Training is a part of the way in which the MNC builds its stock of

human resources and aims to improve employees` current work skills and behavior (Dowling, et al., 2008). Training is defined as the systematic acquisition of skills, rules, concepts, or attitudes that result in improved performance in another environment (Goldstein & Ford, 2002). Some researchers find that training programs are the HRM practices which can be used to promote collaboration and knowledge exchange between local and parent companies` employees and contribute to MNCs` KT(Lane, Salk, & Lyles, 2001; Minbaeva, Pedersen, Bjorkman, et al., 2003) . Cabrera and Cabrera (2005) predict that training which emphasizes cooperation and builds relationships among employees increases knowledge sharing. For example; many leadership training programs is the opportunity to mix employees from different parts of the global organization who usually don`t meet otherwise, and executive development specialists today pay much attention to the role of management training programs in building social capital. Learning teams are constructed to ensure a good mix of people from different backgrounds; team building exercise are an integral part of executive training programs; and action learning assignments provide excellent opportunities for participants to get to know each other better while working on important projects (Evans, et al., 2011, p. 226).

Competence / Performance Appraisal

Performance appraisal is to create a measure that accurately assesses the level of an individual`s job performance and to create an evaluation system that will advance one or more operational functions in an organization (Milkovich & Wigdor, 1991). HRM practices influence employee skills and motivation and organizational structures that provide employees with the ability to control how their roles are performed (Huselid, 1995). The competitive advantage of the firm depends on the existence of HR with relevant competence profiles. An analysis of the competencies needed for different positions – together with an analysis of the firm`s current pool of employee competencies – helps the organization hire people with the desired skills and knowledge. Competences inform employees and give feedbacks about their performance to meet the needs of the firm and also stress the targets of self-development and training of employees (Minbaeva, Pedersen, Bjorkman, et al., 2003).

Performance-Based Compensation

Compensation is defined as “a primary source of corporate control, explicitly linking performance outcomes with associated costs” (Dowling, et al., 2008, p. 159). According to Dowling et al(2008), International compensation policies should be consistent with overall strategy, structure and business needs of multinational (1); must work to attract and retain

staff in the areas where the multinational has greatest needs and opportunities (2); should facilitate the transfer of international employees in the most cost-effective manner of the firm (3); and must give due consideration to equity and ease of administration. Huselid (1995) claims that an internal promotion system provides a strong incentive for employees and the combination of incentive compensation and performance appraisal systems can improve the returns from investments in employee development activities. This will lead to employees' advancements when employees know that their efforts will be rewarded.

Internal Communication

Internal communication is a function which helps employees to understand what organizations are expected of them; and is also a discipline which has moved on from events and people to sharing corporate goals (Smith & Mounter, 2008). Minbaeva et al (2003) conceptualized internal communication as exchange of information which is promoted within the organization; communication flows between: (1) employees in different departments, (2) non-managerial employees and managerial employees, and (3) the HR department and the top management team. Evans et al. (2011) also stress the importance of internal communication between managers and employees. They state that dialogue is needed to convert information into understanding and one of the important business support roles of the HRM is to work line managers to design communication processes that will effectively build mutual understanding between managers and employees. Communication among employees is essential to improve social relations and thus allow tacit knowledge to transfer from one employee to another (Ikujiro Nonaka & Takeuchi, 1995).

Overall, relationships are essential for organizations. Every organization also has its informal networks where people know each other and help each other regardless of rank, function, or job title. In today's knowledge economy, social capital and relationships for the most effective firms extend well beyond conventional organizational boundaries. HR can't force people to interact and establish relationships, but HR can create conditions where those interactions are more likely to emerge. HRM practices can contribute to the relationships among employees that occur in and across organizations-those throughout the internal value creation process and those in the supply chain that extend beyond the firm's borders; those that are informal as well as those that are formal. HR can observe what's going on, encourage and nurture some employees, discourage others, and manage them all for the organization's benefit. While managing relationships is not the sole responsibility of any single business function, HR is in

a unique position to facilitate, coordinate, and monitor an organization's management of relationships that matter. The knowledge economy requires an interaction between HR and other members of the firm. Each employee is responsible for building relationships, both for personal survival and to benefit the organization HR's role is that of facilitator and coach in identifying, encouraging, and supporting the establishment of relationships that are useful and valuable for the organization, and in putting formal and informal systems in place that push these relationships in the right direction (Lengnick-Hall & Lengnick-Hall, 2003).

As the presentation of the related literature is completed, in the next section, methods and sources of the study will be presented. First, type of methodology and the reasons for choosing have included before going further into presentation of the case.

METHODOLOGY

The researcher has many tools available and the research design should match the best tool to the research objective. When the research objective is to learn how a phenomena occurs in its natural setting, qualitative research is appropriate (Zikmund, Babin, Carr, & Griffin, 2010). Since the research objective is stated as examining the mediating role of social capital between HRM practices and KT within the MNCs, a qualitative research has chosen for such study. The reason for choosing a qualitative approach to this study is the encounter of literature of research methods and literature review of this study: qualitative approach stresses the socially constructed nature of reality and seeks answers to questions that stress how social experience is created (Denzin & Lincoln, 2011) , knowledge of the firm must be understood as socially constructed (Kogut & Zander, 1992). Qualitative research methods are chosen because as it is mentioned earlier in this paper, transfer of know-how needs social interaction between source and recipient this occurs in MNCs` natural setting.

Qualitative Research Methods

Qualitative research is particularly relevant when prior insights about the phenomenon under scrutiny are modest, implying that qualitative research tends to be exploratory and flexible because of “unstructured” problems (due to modest insights). Even though qualitative research may allow for test of hypotheses, the main emphasis is usually on gaining insights and constructing explanations or theory. An exploratory research design is adequate when the research problem is more or less understood: the researcher collects the data and tries to find a

lead. As new information comes up, the picture becomes clearer, and at the end the researcher is able to find the answers. A key characteristic of the researchers approach to solving the problem is its flexibility. As new pieces of information are available the search for the solution may change the direction. However, exploratory research requires skills, as do all types of research, but the skill requirements differ. Key skill requirements in exploratory research are often the ability to observe, collect information, and construct explanation which is theorizing (Ghauri & Grønhaug, 2010). Qualitative research properly seeks answers to questions by examining various social settings and the individuals who inhabit these settings. Qualitative researchers, then, are most interested in how humans arrange themselves and their settings and how inhabitants of these settings make sense of their surroundings through symbols, rituals, social structures, social roles, and so forth (Berg, 2007, p. 8).

On the other hand, qualitative procedures provide a means of accessing unquantifiable facts about the actual people researchers observe and talk to or people represented by their personal traces (such as letters, photographs, newspaper accounts, diaries, and so on). As a result, qualitative techniques allow researchers to share in the understandings and perceptions of others and to explore how people structure and give meaning to their daily lives. Researchers using qualitative methods examine how people learn about and make sense of themselves and others (Berg, 2007, p. 9). This study could benefit from adding a specific qualitative method such as “case studies” suggested by Yin (1994). He suggests that case studies are preferred strategy when “how” and “why” questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context.

According to Yin (1994), evidence for case studies may come from six sources: documents, archival records, interviews, direct observation, participant observation, and physical artifacts and incorporation (evidence from two or more sources, but converging on the same set of facts or findings) of these principles into a case study investigation will increase its quality substantially. Documentation and interviews have been chosen as sources of evidence for this study. The reasons for choosing them will be given in the following sections but, first the case will be presented.

Case Presentation

The company included in the study –Vestas (“www.vestas.com,” 2012) founded in 1898 and comes from renewable energy industry – specialized in wind energy. Vestas is operating in 66

countries across six continents and in Norway through a foundry in Kristiansand for production of ductile iron components for Vestas' turbines worldwide. The foundry was founded in 1947 and is the most modern hand moulding foundry in Norway, with an annual capacity of approximately 20,000 tons. The factory employs 250 people and also hosts Vestas' Centre of Excellence for casting Technology. Vestas has 4 foundries in different locations –Norway, Germany, Sweden, China and Vestas Kristiansand is one of them. It has two internal customers as machining factories Lem (Denmark) and Tianjin (China) and continuous interaction with two Technology and R&D units located in India and Denmark.

Documentation

Documentation is described as administrative documents, internal documents, articles appearing in mass media, etc. In this study, official website of Vestas ("www.vestas.com," 2012) has used as documentation. The reason for choosing documentation as a source is that, documents are helpful in verifying the correct spellings and titles or names of organizations that might have been mentioned in an interview(1); and documents can provide other specific details to corroborate information from other sources(2); and play an explicit role in any data collection in doing case studies(3) (Yin, 1994).

Interviews

Semi-standardized interviews have been used in this study. According to Berg (2007) semi-standardized interviews are one of three kinds: standardized (formal or structured), semi-standardized (guided-semi-structured or focused) and unstandardized (informal or nondirective) interviews. He distinguishes the major differences between these different interview structures as their degree of rigidity with regard to presentational structure and locates the semi-standardized interview to be somewhere between the extremes of completely standardized and the completely unstandardized interviewing structures. The semi-standardized interview involves the implementation of a number of predetermined questions and special topics. These questions are typically asked of each interviewee in a systematic and consistent order, but the interviewers are allowed freedom to digress: the interviewers are permitted to probe far beyond the answers to their prepared standardized questions. Similarly, Ghauri and Grønhaug (2010, p. 126) differ semi-structured from unstructured interviews in the sense that the topics and issues to be covered, sample sizes, people to be interviewed and questions to be asked have been determined beforehand. Semi-structured interviews have been chosen for the study in order;

1. To have an access the perspectives of the employees being interviewed about social interactions, KT and HRM practices within the MNC,
2. To be able to have an insight of feelings, thoughts and intentions of employees within a MNC about social interactions and KT process,
3. To understand how HRM practices have organized and effects KT process and social capital (Patton, 1990).

Overall, interviews are an essential source of case study evidence because case studies are about human affairs. These human affairs should be reported and interpreted through the eyes of specific interviewees, and well-informed respondents can provide important insights into a situation. They can also provide shortcuts to the prior history of the situation, helping researcher to identify other sources of evidence. However, the interviews should always be considered verbal reports only and recorded (Yin, 1994). In this study, interviewees have been informed and asked for permission beforehand in order to record interviews.

According to Yin (1994), the interviews may take several forms. Most commonly, case study interviews are of an open-ended nature, in which interviewer can ask key respondents for the facts of a matter as well as for the respondents` opinions about events. In this study as he suggests; respondents are interviewed for a short period of time (from 30 to 50 minutes) and asked a certain set of questions while they remained open-ended and not asked about other topics of a broader nature.

In the table below, some information about the respondents is given. The respondents are from 5 different countries and all work in different departments which enables a better understanding of the relationships between different departments. One of the respondents has 2 current positions within the company which also presented in the table.

Department	Current position	Working Years	Gender	Nationality
Human Resources	HR Manager	1,5	Female	Norwegian
Quality	Quality Manager	8	Female	Chinese
Supply Chain	Main Planner	12	Male	Norwegian
Document	Documentation	3,5	Male	German

Management & Production Engineering	Manager and Technical Manager			
Change Management	Documentation Specialist	3	Male	British
Production Engineering	Change Management Professional	3,5	Male	Turkish
Maintenance	Maintenance Leader	7	Male	Dutch

Table 1: List of Interviewees

Interview Guide

According to Cassell and Symon (2004, p. 15) the qualitative research interview is not based on a formal schedule of questions to be asked word-for-word in a set order. There are three sources for topics to be included in an interview guide: the research literature, the interviewer`s own personal knowledge and experience of the area and informal preliminary work such as discussions with people who have personal experience of the research area. The development of the interview guide does not end at the start of the first interview. It may be modified through adding probes, changing topics and reformulating the questions.

Flexibility is the single most important factor in successful qualitative interviewing. It is likely that a common opening question will be used to start all interviews in a study, but beyond that topics need not be addressed in order in which they appear in the interview guide(Cassell & Symon, 2004, p. 17).

In this study interview guide has been created according to Cassell and Symon which states that it is best for the interviewer to open with a question which the interviewee can answer easily and without potential embarrassment or distress. More difficult questions should be held back until some way into the interview, in order to give time for both interviewer and interviewee to relax and feel they are getting to know each other(Cassell & Symon, 2004, p. 17). In this study, interview guide has been structured according to the view presented and as Yin (1994) suggests; questions have been carefully worded. Interview guide used in this study

can be found in the appendix. Next part of this paper is about the methods used while analyzing the data collected.

DATA ANALYSIS

This section starts with some information about qualitative data analysis and continues with the presentation of the techniques used to analyze the data.

Qualitative Data Analysis

The analysis of qualitative data allows researchers to discuss in detail the various social contours and processes human beings use to create and maintain their social realities and researchers should not wait until data have been collected to consider how they are to be organized for analysis and they must direct thought toward how data will be organized and analyzed before they begin the data-collection process.(Berg, 2007). A common observation is that in qualitative studies the researcher easily becomes overwhelmed by the masses of data. One reason for this is that when the research problem is modestly understood many data are collected, of which many may be irrelevant. A key characteristic of analysis is the dividing up or breaking down of some complex whole into its constituent parts. Through analytical operations the researcher dissects, reduces, sorts and reconstitutes data (Ghauri & Grønhaug, 2010).

In this study, the respondents were asked 11 open-ended questions related in 3 main constructs: (1) KT, (2) HRM practices, (3) social capital which were intended to generate rich descriptions of knowledge sharing. The data collected in a MNC (Vestas), were coded and analyzed using the qualitative data presentation and analysis methods proposed by Miles and Huberman (1984) including development of contact summary sheets for each interview and coding of individual interview data:

Contact Summary Sheets: is a single sheet containing a series of focusing or summarizing questions about a particular field contact (Miles & Michael, 1984, p. 50).

In this study, contact summary sheets include name, gender, educational background, department, current position, former position and working years within Vestas of the interviewees. Contact summary sheets have been used in this study in order to be able to;

- guide planning for the next contact

- suggest new or revised codes
- reorient oneself to the contact when returning to the write-up for any reason (Miles & Michael, 1984)

Coding: A code is an abbreviation or symbol applied to a segment of worlds –most often a sentence or paragraph of transcribed field notes- in order to classify the words (Miles & Michael, 1984, p. 56).

In this study, analysis started with coding the answers to open-ended questions, which resulted in identifying categories and issues pertaining to each of the question. For example, to answer one of the questions, “In terms of knowledge sharing, how effective would you say your employee training is?” the researcher content-analyzed not only the those segments of transcripts where a specific question about KT and training, but also the whole transcript, searching for relevant discussions. Coding prepared by personal high lightning and revised several time during the analysis. Coding has been used in this study because codes are efficient data-labeling and data-retrieval devices and empowering and speeding up the analysis (Miles & Michael, 1984). Codes serve as shorthand devices to label, separate, compile and organize the data. Coding of qualitative data differs somewhat from coding of quantitative data. When handling quantitative data it is mostly a way of managing data, while in qualitative data analysis – in particular situations where the analysis departs from inspection of the collected data – coding is an important first step in arriving at understanding and generating theory. It is also quite common in qualitative research for initial categories and codes to be changed and refined during the research process(Ghauri & Grønhaug, 2010, p. 201)

In the following sections, findings will be presented and discussed before conclusion.

FINDINGS

Findings are discussed into 2 main categories –HRM practices and Social Capital of the firm. They are categories in which ways they influence KTs. It is illustrated in the table below:

HRM Practices		Social Capital
Internal Communication	Meetings	Shared Goals
	Use of Technology	Shared Language

Training		Work Practice
Competence / Performance Appraisal		Personal Relationships
Performance-Based Compensation		

Table 2: Categorization of Findings

HRM Practices

As it is presented in the table above, HRM practices are categorized into 4 main parts: Internal communication, training, competence / performance appraisal and performance-based compensation.

Internal Communication

Internal communication part divided into two parts –meetings and use of technology in order to provide a better point of view to the ways internal communication influence on KT. In this section, respondents are asked what kind of organizational mechanisms they use to share knowledge within the firm.

Meetings: Interviews suggest that respondents and their departments give a high priority to knowledge sharing. All the respondents have mentioned that they have daily and / or weekly meetings within the subsidiary to share their knowledge with other departments. However, when talking about sharing with other subsidiaries or headquarters information given differs. For example, HR Manager have meetings with vice president in headquarters in Denmark monthly. Also Documentation and Technical Manager mentions that he is having monthly meetings with production departments of other subsidiaries. However, the Maintenance Leader mentions the lack of meetings between subsidiaries. He said:

“There should be some kind of much better integration like conversations. In Europe we have three foundries. There is no formal platform which organizes meetings to communicate with each other or visits each other to see what each other is doing and so on. We don’t even know if we have common problems or not. Hence, everybody is looking for their own solution”

Overall, interviews suggest that the company uses meetings to improve sharing knowledge within the firm, in other words, meetings has an influence on knowledge sharing. However there is no standard implication for every department within the firm.

Use of Technology: All the respondents indicate that they use a software program (communicator) to share knowledge. This software enables two or more parties to communicate both verbal and written, face-to-face interactions, share each other's computer screens and so on. All of the respondents say that they found this software really useful and think that it eases knowledge sharing. Interviews suggest that use of technology has a positive influence on KT.

Training

In this section respondents are asked how effective their employee trainings are in terms of knowledge sharing.

Change Management Specialist has mentioned that it is important to know how to use the “communicator” because there are some specific issues to know. He said that:

“...for example, I am inviting a manager from another subsidiary to a meeting on communicator, he doesn't even know how to join a meeting in communicator”

All the respondents see trainings generally really useful and important in terms of knowledge sharing. 6 of the respondents also say that e-learning programs of the company are really useful in terms of knowledge sharing. Only the Maintenance Leader says e-learning programs of the company are not useful at all. Interviews suggest that training has a positive influence on knowledge sharing.

Competence / Performance Appraisal

In this section respondents are asked what kind of formal evaluation of their performance they receive in terms of knowledge sharing. All of the respondents mentioned that there is no evaluation of their performance held by company in terms of knowledge sharing.

Performance-Based Compensation

In this section respondents are asked what kind of opportunities they have to earn individual, group or company-wide bonuses. All the respondents mentioned that the company does not have any performance-based compensation related with knowledge sharing.

Social Capital

Findings of social capital of the firm categorized in 4 parts: shared goals, shared language, work practice and personal relationships. In this section respondents are asked how well they

understand (1) their colleagues` business goals, (2) each other`s professional language at work and (3) each other`s everyday work practices.

Shared Goals: During interviews, all of the respondents described different shared goals. For example, when Documentation and Technical Manager mentioned “safety”, Quality Manager mentioned “quality”. Examples of answers are as follows: “Continuous production, end customer, safety, profitability, efficiency, quality”. But none of them mentioned the same goals as others.

Shared Language: 6 of the respondents said that they have a quite well understanding of each other`s professional language at work and not having any serious problems when communicating. Documentation and Technical Manager said that he is sometimes experiencing communication problems and misunderstandings. Quality Manager said that:

“Even though, we have specific areas which are very different than each other, such as, laboratory, quality etc. we understand the professional language of each other`s pretty much”

Interviews suggest that all the respondents have a good understanding of the professional language in use within the company.

Work Practice: 5 of the respondents mentioned that they have a quite well understanding of each other`s everyday work practice. Documentation and Technical Manager said he understands 50% of what others do. Change Management Professional mentioned that his colleagues from other subsidiaries don`t understand what he does and from time to time blame him for doing nothing and this situation creates problems. Quality Manager stated:

“We do have very open communications so everybody knows what each other do. We also have back up, let`s say one guy sick or free, others can jump in to take over the task, the daily work”

Interviews suggest that the majority of respondents understand their colleagues everyday work practice.

Overall, according to answers given by respondents to the questions related with social capital, the cognitive social capital exists among employees within the firm.

Personal Relationships: Some of the respondents mentioned that their inter-personal relationships are helpful to solve work-related problems. For example, Maintenance Leader

mentioned that when he has a work-related problem he calls his colleagues from Germany, informally, to solve the problem. HR Manager mentioned that the employees know her former education and work experience and when there is a work-related problem, she always have an open door and employees come to her to solve the problem. This suggests that inter-personal relationships influence knowledge sharing positively.

Change Management Professional indicated that because of location differences people start forgetting each other. He mentioned that meetings are important to communicate with colleagues from other subsidiaries. He stated that:

“...I decided that we make one meeting with one Production Engineering Coordinator, every week once. It mainly starts with general chat, it helps in this kind of communication, and you don't receive the information all the time, when you have an official way of receiving information. You usually receive all good information when you chat with people. So I had good relationship with the people, then they started to know your name and it continues more. Then with this chat you actually hear about many other things, they are not aware that it's useful for you. This actually build up afterwards, it was kind of a process in the beginning, and end up being knowledge”.

Interviews suggest that employees may create closer relationships with their colleagues in meetings. By having closer relationships with their colleagues they start trusting each other and share more. In this sense, meetings have a positive influence on employees inter-personal relationships and as well as knowledge sharing.

DISCUSSION

The paper aimed to support the related literature empirically –the ways HRM practices facilitating KTs by developing social capital. Literature often paid attention to HRM practices and KTs (Minbaeva, 2005; Minbaeva, Pedersen, Björkman, et al., 2003; Yamao, et al., 2009), and social capital and KTs (Inkpen & Tsang, 2005; Nahapiet & Ghoshal, 1998). Findings of this study supports the empirical studies in the literature related HRM practices and KTs – training and internal communication influence KTs within MNCs (Minbaeva, Pedersen, Björkman, et al., 2003). Besides, evidence presented on cognitive social capital supports the literature which is linked with knowledge sharing (Mäkelä & Brewster, 2009). The main finding of this study is meetings as a component of internal communication within the

company helps improving personal relationships among employees thus facilitates KT by developing social capital which extends the related literature. This also provides an empirical support to a conceptual research proposed by Gooderham (2007) which is not empirically tested yet.

CONCLUSION AND IMPLICATIONS

The study aimed to examine the mediating role of social capital between HRM practices and KTs within the MNCs. While this study makes a contribution to the understanding of the relationship between HRM practices, social capital and KTs within MNCs, additional research is needed to develop this link further.

Since characteristics of knowledge matters in the process of KTs, there are clearly other factors which can influence KTs, such as the characteristics of knowledge senders and receivers (Gupta & Govindarajan, 2000; Szulanski, 1996). Later research should define and include the characteristics of knowledge senders and receivers and their effect on the ways HRM practices influence KTs and social capital. On the other hand, future research should give some attention to the ways of HRM practices can influence the structural dimension of social capital. As Minbaeva (Minbaeva, Pedersen, Bjorkman, et al., 2003, p. 126) states: “Clearly, HRM practices and knowledge-related outcomes are associated, but their link still misses some important aspects of the interpretation and empirical support”. Future research should try to collect data from multiple sources to provide the related literature empirically.

LIMITATIONS

There are several limitations to this study. First, data is collected from one source only –a MNC operating in renewable energy sector and in Norway. This leads to the low level of external validity which makes conclusions difficult to generalize.

Second, although social capital has a positive influence on KTs, knowledge sharing in intra corporate networks has maintenance costs and a focal unit`s direct ties in a knowledge network has pros and cons (Hansen, 2002). As Inkpen and Tsang (2005, p. 162) suggests, “when the transfer is not difficult, the ties are likely to be harmful for unit effectiveness because of their maintenance costs”.

Third, the amount of time as a constraint limits the data collection. According to Gupta and Govindarajan (2000, p. 491) “transfers of tacit knowledge tend to be slow, any real time investigation of this phenomenon would often require the researcher to undertake a multi-year study of each transfer”.

Finally, there are also some other factors which can influence intra corporate KTs within MNCs suggested by Gupta and Govindarajan (2000) such as; (1) value of source unit`s knowledge stock, (2) motivational disposition of the source unit, (3) existence and richness of transmission channels, (4) motivational disposition of the target unit, (5) absorptive capacity of the target unit, which did not take a place in this study.

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INTERVIEW GUIDE

Research Objective: To examine the mediating role of Social Capital between Human Resources Practices and Knowledge Transfers within Multinational Corporations.

Research Question: In what ways Human Resources Practices influence Social Capital of the Multinational Corporation and Knowledge Transfer within it.

KEY CONCEPTS

Human Resources Management Practices: refers to the activities undertaken by an organization to effectively utilize its human resources

The Knowledge-Driven Human Resources Practices:

- 1) **Training:** Training is the systematic acquisition of skills, rules, concepts, or attitudes that result in improved performance in another environment.
- 2) **Performance Appraisal:** Performance appraisal is a mechanism to create a measure that accurately assesses the level of an individual's job performance and to create an evaluation system that will advance one or more operational functions in an organization.
- 3) **Performance-based Compensation:** Compensation a primary source of corporate control, explicitly linking performance outcomes with associated costs.
- 4) **Internal Communication:** Internal communication is a function which helps employees to understand what organizations are expected of them; and is also a discipline which has moved on from events and people to sharing corporate goals.

Social Capital: the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit.

Knowledge Transfer: exchanges of organizational knowledge between a source and a recipient unit in which the identity of the recipient matters.

QUESTIONS

The term “knowledge” mentioned below is referred to the knowledge existing in units of Vestas issued.

Questions related to knowledge sharing

- 1) In your department, you have many duties. Among those, what priorities do you give to knowledge sharing?

- 2) How do you share your knowledge with your colleagues from other units of Vestas? (such as advice on how to deal with a work-related problem, personal insight, tricks of the trade, etc.)
 - What kind of knowledge do you share?

 - Who do you share your knowledge with?

- 3) How do you receive knowledge from your colleagues from other units of Vestas? (such as advice on how to deal with a work-related problem, personal insight, tricks of the trade, etc.)
 - What kind of knowledge do you receive?

 - Who do you receive the knowledge from?

- 4) Could you please tell me how useful for you the knowledge from other units of Vestas?

Questions related to HRM practices

- 5) What kind of organizational mechanisms do you use to share knowledge in Vestas?
 - In terms of knowledge sharing, how effective would you say your employee training is?

 - In terms of knowledge sharing, what kind of formal evaluation of your performance do you receive?

 - In terms of knowledge sharing, what kind of opportunities do you have to earn individual, group or company-wide bonuses?

Questions related to social capital

- 6) How do you and your colleagues from other units of Vestas, collaborate with each other to diagnose and solve problems?

- 7) How do you interact and exchange ideas with your colleagues from other units of Vestas?

- 8) How well do you understand your colleagues` business goals from other units of Vestas?
- 9) How well do you and your colleagues understand each other`s professional language?
- 10) How well do you and your colleagues understand each other`s everyday work practice?
- 11) What challenges do you see? What does Vestas do to face those?

List of Codes Used in Analysis	
Knowledge Sharing	
Meetings	MEE
Meetings to share explicit knowledge	M&E
Communicator	CMN
Seminars	SEM
Dialog	DIA
HRM Related	
Training	TRA
Performance Appraisal	EVA
Performance-Based Compensation	COM
Social Capital	
Shared Goals	SHG
Shared Language	SLA
Trust	TRU
Work Practice	WPR
Knowledge Type	
Explicit	EXP
Tacit	TCP
Tacit and Work Related Problem	T&W