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**Extended Literature Review about managing communication in a MNC for  
knowledge sharing between the headquarters and the subsidiaries**

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## **Abstract**

This paper presents an extended Literature Review about the management of communications in Multinational Corporations, specifically in knowledge sharing between the headquarters and the subsidiaries, an issue that remains a deep challenge to international business due to the uniqueness of cultural values within the exchange of information, and the improvements that a company implements through the interchange of knowledge (Rodrigues, 2009).

Today, companies adapt to change, not only because of the determinant role of communications due to the information technology revolution (Kalla, 2006) but to face the challenges that the international market sets, specifically in the decisive role of knowledge management as the firm's competitive advantage to create and innovate services and products (Carlsson, 2003).

## **Keywords**

Communication, Multinational Corporations, knowledge sharing, knowledge management.

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## **Research question**

How communications management contributes to knowledge sharing inside Multinational Corporations (MNC) between the headquarters and the subsidiaries?

## **General objective**

Contribute to the International Business field, by presenting a literature review which conclusions enrich the understanding of the management of communication for knowledge sharing inside Multinational Corporations.

## **Specific objectives**

- Identify what is knowledge sharing, its definitions and appliances inside a MNC.
- Clarify why communication is determinant for knowledge sharing inside a MNC.
- Contribute to the advance of the International Business research.

# Introduction

Communication has had a central effect on many aspects of corporate activities. It has made corporations look alike in certain organizational aspects (technologies, managerial style, branding, publicity, etc.) but at the same time, has a determinant role, within the understanding of global identities and local cultures (Gimenez, 2002). Multinational Corporations (MNC) function in an environment characterized by different geographical regions as well as different cultures in terms of the workforce, operations, markets and customers (Kalla, 2006). Therefore, knowledge is used across various organizational units and due to the nature of dispersed assets and resources as well as global roles and responsibilities, the Multinational Corporations create internal interdependencies that highlight the important role of communication and the share of knowledge (Van den Born, & Peltokorpi, 2010).

In fact, an effective enterprise communication is the main support of the transaction of business around the world (Chitakornkijasil, 2010) and an essential mechanism for knowledge development and sharing (Adenfelt & Lagerström, 2006) in which the sharing process is like a double-edged sword: in one side the MNC has to share knowledge globally while allowing for local adaptation through the subsidiaries and in the other side MNC has to share knowledge locally in each subsidiary while developing global knowledge (Adenfelt & Lagerström, 2006).

That's one of the reasons a Communication Manager has to develop interpersonal networking mechanisms such as joint work in teams, language usage (Charles, 2007), taskforces, and meetings that have a significant positive effect on the frequency of both headquarters - subsidiaries and intersubsidiary communication (Ghoshal, Korine & Szulanski, 1994).

Another crucial issue is the implementation of actions to integrate and share knowledge between the headquarters and the subsidiaries of a MNC. This fact is considered as "one of the main sources of competitive advantage", because knowledge transfer has a positive effect on new product development and innovation, and a positive impact on the business brand, reputation and client trustworthiness (Mäkelä, K., & Brewster, C., 2009).

This paper focuses in the understanding of communication management for knowledge sharing inside Multinational Corporations (MNC), and highlight how the headquarters communicate with its subsidiaries and vice versa contributing to innovation through knowledge sharing inside the Corporation.

## **Justification**

This paper attempt to focus on the characteristics of knowledge sharing inside a MNC, understanding that for the international business management it is relevant to clarify how the subsidiaries of a Multinational Corporation (subsidiary is the unit located in a different country of the main headquarter of the Corporation (Ghoshal, Korine & Szulanski, 1994)), share knowledge, constituting an important source of competitive advantage (Adenfelt & Lagerström, 2006).

One can think it is relevant for the International Business and Communications fields to understand the role of MNC motivating subsidiaries to share knowledge with the headquarters and vice versa, engaging new knowledge development and sharing mechanisms.

This research is designed to understand that managing communication in MNC for knowledge sharing between the headquarters and the subsidiaries is a key strategy for MNC management, innovation and competitiveness. Understanding knowledge sharing as the transformation process going from tacit knowledge into explicit knowledge (Wagner and Buckó, 2005). Organization, strategy and people have become central issues in knowledge management (Yang, 2010).

Therefore, the main contribution of this research will be to enrich the existent information about the decisive role of communications inside a MNC for knowledge sharing.

### **Why is this subject important?**

Today, MNC are expanding their subsidiaries to several countries around the world, the exchange of information, knowledge and experiences between the headquarters and the subsidiaries and backward, are the day by day reality of these Companies, and knowledge has become a valuable asset for creating competitive advantages and innovation (Miao, Y., Choe, S., Song, J., 2011).

This subject is important because it offers new insights into the communication management for knowledge sharing in Multinational Corporations, a subject that highlight the influence and importance of communication in any Corporation.

This material could be used by social communicators, journalists and international business professionals, researchers and students of any of those fields.

## Literature Review

The growing importance of knowledge as an essential resource in the strategic management of a Multinational Corporation (MNC) and how communication enhance its impact inside organizational performance has been the subject of study of many researchers (Zheng, Yang and Mclean, 2010), (Wagner and Buckó, 2005), (Zakaria, Amelinckx and Wilemon, 2004), (Gupta and Govindarajan, 1991), (Goshal, Korine and Szulanski, 1994), (Adenfelt and Lagerström, 2006), (Adenfelt and Lagerström, 2006), (Hong and Vai, 2008), (Yang, 2010), (King and Marks, 2006), (Wang and Noe, 2010), (López-Nicolás and Meroño-Cerdán, 2011), (Choi, Poon and Davis, 2008), (Regnér and Zander, 2011), (Miao, Choe and Song, 2011). For example, Zheng, Yang and Mclean (2010), consider “knowledge management plays a potentially mediating role in connecting organizational context and strategy with organizational effectiveness. Successful knowledge management is believed to have the potential of enhancing an organization’s competitive advantage, customer focus, employee relations and development, innovation, and lower costs”.

López-Nicolás and Meroño-Cerdán, (2011) also describe knowledge management as a “significant mechanism to enhance innovation and corporate performance. Companies know that with a clear knowledge management strategy can be more innovative, achieve better financial results, improve processes and develop human resources’ capabilities”. And Yang (2010) suggests that the vast majority of studies in the literature about knowledge management state that it has been considered “a critical strategy for firms to obtain competitive advantage and positively impact firm performance”.

It can be said that several authors consider knowledge as the source of innovation and value creation (Yang, 2010), (King and Marks, 2006), (Wagner and Buckó, 2005), (Wang and Noe, 2010), (López-Nicolás and Meroño-Cerdán, 2011), (Choi, Poon and Davis, 2008), (Miao, Choe and Song, 2011) and agree that without communication, knowledge will loose meaning and impact (Zakaria, Amelinckx and Wilemon, 2004).

But the ability to manage communication inside Multinational Corporations (MNC) and contribute effectively to knowledge sharing in a cross-cultural environment relies in the promotion of “knowledge development in the MNC, by using organizational mechanisms creating links between individuals and encouraging social interaction” (Adenfelt and Lagerström, 2006).

Knowledge requires communication (Miao, Choe and Song, 2011). And a successful knowledge sharing between the headquarters and the subsidiaries depend on their preexisting relationships and an understanding of contextual factors. “Findings show that the knowledge development process could be difficult because of the lack of interpersonal relationships and a shared structure and practices within the transnational teams” (Adenfelt and Lagerström, 2006).

## Communication management inside MNC

“A Multinational Corporation (MNC) is an organization of enormous complexity”. (Goshal, Korine and Szulanski, 1994). Coherent management of a MNC is characterized by an extensive interunit coordination and integration. “The disperse assets and resources of a Multinational Corporation, and the global roles and responsibilities of their managers, creates systems-wide interdependencies which, in turn, make effective intersubsidiary communication an increasingly important requirement in most of them” (Goshal, Korine and Szulanski, 1994).

In fact Adenfelt and Lagerström (2006) agree that one of the competitive advantages of a MNC is that the various kinds of knowledge produced by the dispersed subsidiaries may be used in building new knowledge. That’s why MNC headquarters have to design and choose organizational mechanisms to support knowledge development and sharing among subsidiaries. Then, it can be said that for an effective knowledge sharing, the headquarters and the subsidiaries have to communicate, interact, share and manage knowledge. “In order to compete and survive, MNC must extract the maximum value from the knowledge they possess, acquire or create and communication is vital for the functioning of knowledge-sharing” (Wagner and Buckó, 2005).

But, which is the mechanism that facilitates knowledge sharing inside a MNC? According to Zakaria, Amelinckx and Wilemon (2004) knowledge sharing is facilitated by communication and inside a MNC it involves the exchange of meaning, and the influence of diverse cultural environments that affect knowledge conceptualization and transfer. “The process of communication inside a MNC is dynamic, multifaceted and complex” (Zakaria, Amelinckx and Wilemon, 2004).

Knowledge sharing is also facilitated by communication patterns, known as the messages used inside corporations to share and exchange ideas, information, decisions, changes, findings and any other message that the firm considers important to share with the working community. “Communication patterns consistently have been regarded as a major determinant of an organization’s effectiveness in creating and diffusing innovation. The general argument has been that success at innovation requires adequate information processing capacity in the system and that such capacity is a function of the intensity of communication patterns” (Gupta and Govindarajan, 1991).

Regarding that a Multinational Corporation (MNC) is a “network of capital, product and knowledge transactions among units located in different countries” (Gupta and Govindarajan, 1991), the ability to manage an effective communication in a cross-cultural organization resides in the capacity of the members of the virtual teams located in the subsidiaries to successfully decode and encode messages and assure that they are understood within the diverse cultural contexts. In analyses of the creation of knowledge sharing inside global virtual teams one can say that it is decisive to assure “the existence of intra-team respect, mutual trust, reciprocity and positive individual and group relationships” (Zakaria, Amelinckx and Wilemon, 2004).

Other authors like Wagner and Buckó (2005) affirm that “the firms satisfaction is positively related to the frequency of communication”, and that “in order to compete and survive, firms must extract the maximum value from the knowledge they possess, acquire or create”.

It can be said that knowledge needs communication to grow and expand, knowledge has to be shared and enriched by interaction through the organization, and it becomes the basic tool for innovation. “Communication is vital for the functioning of knowledge-sharing networks. Frequent communication gives rise to stable relationships with partners in the knowledge-sharing network, a vital prerequisite for knowledge-sharing. It has been shown that the more frequently members in distribution channels communicate with one another, the more likely ambiguity in the message will be reduced. Communication frequency and intensity has a positive impact on channel results (coordination, commitment, satisfaction) and enhance channel performance” (Wagner and Buckó, 2005).

It is clear that the growing importance of knowledge as a strategic resource has encouraged communication managers to ensure the alignment of information inside the MNC, and produce effective knowledge sharing, creation and use. For Goshal, Korine and Szulanski, (1994) communication inside a MNC has two kinds of linkages: “between each of the national subsidiaries and the headquarters, and the horizontal linkages among the subsidiaries themselves. The headquarters has the responsibility of strategic direction, decision making, and overall coordination. Effective communication with each subsidiary is a necessary condition for the headquarters”.

## **Communication, the main tool to share knowledge in MNC**

It is also important to be considered that the success of communication inside any type of firm, is trespassed by the human component, in which relays the capability to facilitate or hinder the share of knowledge, the cultural interaction with people in other countries and the organizational learning (Zakaria, Amelinckx and Wilemon, 2004).

A critical aspect inside Multinational Corporations is to provide sufficient communication networks between subsidiaries in different regions, so that they can share relevant information and combine their capabilities to build “firm-specific competitive advantages” (Miao, Choe and Song, 2011) and in the other hand maintain a good communication climate for knowledge sharing because a “constructive communication climate was found to positively influence knowledge donating, knowledge collecting and affective commitment” (Bart van & Ridder, 2004).

Several authors agree that communication is vital for knowledge sharing in Multinational Corporations (MNC): “knowledge sharing does not function without communication” (Wagner and Buckó, 2005), “knowledge sharing is often facilitated by communication” (Zakaria, Amelinckx and Wilemon, 2004), “communication covers all aspects of an organization activity. For global managers, effective communication is a crucial skill because the manager’s planning, organizing, monitoring and facilitating functions become operational only through communication” (Chitakornkijjil, 2010).

But, which are the mechanisms used by organizations to communicate and share knowledge? According to Wagner and Buckó (2005) there are two actions that facilitate communication: “interpersonal channels, which involve primarily information media capable of transferring “rich “ information, and mediated channels, also referred as mass media” or Information and communication technologies (ICT).

Zakaria, Amelinckx and Wilemon (2004) also assure that “information and communication technologies are essential for communication and knowledge sharing” specifically in MNC because “geographically dispersed employees need computer-facilitated communication” to interchange information. Bart van and Ridder (2004) also highlight the enormous potential of the computer mediated communication (CMC) “to overcome barriers of space and time” in Multinational Corporations.

Therefore, it can be said that communication mechanisms in MNC to share knowledge are the traditional ones: writing and speaking, but because of the disperse location of the headquarters and the subsidiaries, these communicational interchanges are mediated by technological mechanisms as computers, mobile phones, tablets and other tools that facilitate the contact and interchange of information and ideas inside the entire organization and its subsidiaries.

Information and communication technologies (ICT) are indispensable for MNC “that choose to move beyond the geographic constraints of face-to-face employee interactions and build a virtual workplace and use virtual teams as its main work structure” (Zakaria, Amelinckx and Wilemon, 2004).

Thus, the communication management inside a MNC implies an interchange of information between the headquarters and the subsidiaries, and during that process the transfer of innovations are produced. “The more frequent the communication between subsidiary managers and parent company managers, the more knowledge is transferred from the subsidiary to the parent company and to its peer subsidiaries” (Miao, Choe and Song, 2011).

## **Knowledge sharing**

It is clear that the share of knowledge inside a MNC entails communication for an effective interchange of information. According to Adenfelt and Lagerström (2006) knowledge sharing “is defined as the provision or receipt of knowledge, shaped by the subsidiary sharing and the subsidiary receiving knowledge. The actual process of knowledge sharing needs interaction and communication between those sharing and those receiving knowledge and the knowledge developed by one subsidiary can be shared and used by other subsidiaries”.

Wang and Noe (2010) argue that knowledge sharing “is the fundamental means through which employees can contribute to knowledge application, innovation, and ultimately the competitive advantage of the organization. Knowledge sharing between employees and within and across teams allows organizations to exploit and capitalize on knowledge-based resources. Research has shown that knowledge sharing is positively related to reductions in production costs, new product development

projects, team performance, firm innovation capabilities, and firm performance including sales, growth and revenue from new products and services.

Wan and Noe (2010) also affirm that knowledge sharing “refers to the provision of task information and know – how to help others and to collaborate with others to solve problems, develop new ideas, or implement policies or procedures. Knowledge sharing can occur via written correspondence or face-to-face communications through networking with other experts, or documenting, organizing and capturing knowledge for others”.

According to Bart Van and Ridder (2004) “knowledge sharing is the process where individuals mutually exchange their (implicit and explicit) knowledge and jointly create new knowledge, this process is essential in translating individual knowledge to organizational knowledge” consists of both bringing (and “donating”) knowledge and getting (or “collecting” knowledge). Knowledge collecting and knowledge donating are active processes, either actively communicating to others what knows, or actively consulting others in order to learn what they know”.

Yang (2010) states that “knowledge sharing is a value added activity in the value chain of the organization. This implies that the more experts in an organization share their knowledge, the more value is added to the chain. Firms that encourage the free circulation of information and knowledge within the organization appear to come up with the better products faster, and use fewer man-hours in doing so”.

All authors agree that the action of share knowledge implies giving and receiving information about products, services or learned experiences, and depending on the way knowledge is collected it could be used to take decisions about the strategic management of the MNC. But which are the mechanisms that produce the share of knowledge? Why people would want to share or not what they know?

According to Bart Van and Ridder (2004) “people are more willing to share their knowledge if they are convinced that doing so is useful, if they have the feeling that they share their knowledge in an environment where doing so is appreciated and where their knowledge will actually be used”. Wang and Noe (2010) have found that “employees may decide to share knowledge because they enjoy helping others or as a result of reciprocation; employees may perceive knowledge sharing as a learning opportunity”.

And King and Marks, (2006) also agree that one of the strategies to support the idea of social exchange of knowledge from an individual to the organization and vice versa is to develop the concept of perceived organizational support (POS) through which individuals become committed to their organizations. “The perceived organizational support develop the global belief concerning the extent to which the organization values their contributions and cares about their well being. High levels of POS create the feeling of obligation in the employee, where by the employee will feel obligated to support organizational goals”.

According to the authors an individual that is committed to the organization and trust the managers and the coworkers is more open to share what he knows, it could be said that the individual offers his talent in exchange for the organization's reward.

As Bart Van and Ridder (2004) affirm "affective commitment to the organization positively influences the extent to which people share their knowledge".

As well as workers feel comfortable to share their knowledge in a supportive communication climate there are some barriers that affect the knowledge sharing inside a MNC:

1. The main knowledge sharing inhibitor "is that knowledge can be considered as a source of power and superiority" (Wang and Noe, 2010) and individuals may consider that they "lose value" if openly share what they know. "Employees unique knowledge often results in positive evaluations from human resource systems and personal gains such as cash bonuses, promotions, stretch job assignments and protection of layoffs" (Wang and Noe, 2010).
2. "A functionally segmented structure inside a MNC inhibits knowledge sharing" (Wang and Noe, 2010).
3. "Subsidiary-specific knowledge accumulated in the local context is often tacit, making it difficult to transfer to other subunits within the MNC organization" (Miao, Choe, and Song, 2011).
4. "Subsidiaries may have accumulated substantial knowledge that is potentially useful to the parent company and peer subsidiaries, but poor communication and lack of incentives could hinder the transfer and utilization of that knowledge" (Miao, Choe, and Song, 2011).
5. "Some employees hesitate to share information with others because they feel it will decrease their personal value to the firm to share secrets that they have learned over the years, thus it is essential that firms institute a knowledge sharing policy to employees for effective participation in the implementation of knowledge management strategy. Greater shared knowledge tends to create new knowledge, through the reflective process, in the light of personal experience" (Yang, 2010).

To overcome the knowledge sharing barriers it could be said that the MNC need to develop "effective knowledge transfer mechanisms between the source and the recipient units, setting knowledge sharing as an important management goal" (Miao, Choe, and Song, 2011).

## **Knowledge management**

A primary condition to understand what is knowledge management, is to define: What is knowledge?

According to Wang and Noe, (2010) "knowledge is the information processed by individuals including ideas, facts, expertise and judgments relevant for individual, team and organizational performance. Knowledge is a critical organizational resource that provides a sustainable competitive advantage in a competitive and dynamic economy."

For López-Nicolás and Meroño-Cerdán, (2011) “knowledge is the fundamental basis of competition and particularly tacit knowledge can be a source of advantage because it is unique, imperfectly mobile, imitable and non-substitutable. Firms that create new knowledge and apply it effectively and efficiently will be successful at creating competitive advantages”.

Choi, Poon and Davis, (2008) argue that “knowledge is an essential strategic resource for a firm to retain sustainable competitive advantage. As knowledge is created and disseminated throughout the firm, it has the potential to contribute to the firm’s value by enhancing its capability to respond to new and unusual situations”.

And King and Marks, (2006) define “knowledge as a strategic resource that can create competitive advantage. A firm’s knowledge is the result of years of organizational activity in which the knowledge of individuals is combined into a collective whole”.

It is also important to define the difference between tacit and explicit knowledge to understand the kinds of knowledge is shared and communicated inside MNC. According to Adenfelt and Lagerström, (2006): “Tacit knowledge is inextricably interwoven with experiences and situation contexts and is inferred from the actions of individuals, which imply that as individuals interact. Some knowledge remains tacit and context bound as it is developed according to the specific requirements of the organization, and explicit knowledge can be articulated and put into print”.

And Wagner and Buckó define “tacit knowledge as idiosyncratic, subjective and highly individualized. It is embedded in, for example, viewpoints, beliefs, values and intuitions. In contrast, explicit knowledge can be described as specifications, systematic language, grammatical statements and mathematical expressions that can easily be shared”.

However Yang, (2010) emphasize “that the integration of knowledge derived from research and development (R&D) is based on tacit knowledge flow. A central focus of the integration process should be the successful exploitation of ideas to add value in the organization. The integration of knowledge derived from R&D is based on tacit knowledge flow. A central focus of the integration process should be the successful exploitation of ideas to add value in the organization. R&D is the primary source of internal knowledge creation. The faster the knowledge can be created, the more value a company can deliver to further its growth. R&D integration of knowledge from past projects provides strong support to the knowledge management program, thus support is significant for the firm’s performance since it shortens the cycle time of developing new products”.

Yang, (2010) also argues that “it is not the stock of knowledge that may give the firm a competitive advantage, but rather the way the knowledge is applied in a firm which informs knowledge management strategy. Knowledge is created through the interaction between tacit and explicit knowledge: socialization, externalization, combination and internalization”.

Key to all these definitions is the focus on knowledge as a strategic resource for MNC to acquire and exploit the opportunities that the company has, and to use that knowledge for the company's benefit and development. But knowledge by itself isn't the organization's competitive advantage, knowledge has to be managed and articulated to become a source of innovations for the company.

"Innovation process highly depends on knowledge, especially on tacit knowledge. New and valuable knowledge is created and converted into products, services and processes by transforming general knowledge into specific knowledge. That's why innovation is seen as the area of greatest payoff from knowledge management" (López-Nicolás and Meroño-Cerdán, 2011).

Nevertheless "knowledge processes of organizational mechanisms, emerging bottom-up and top bottom, would portray different challenges and opportunities for knowledge processes. Additional areas of inquiry, such as the role of power and trust, also need to be pursued to develop a more complete theoretical and practical understanding of the use of different organizational mechanisms for knowledge development and sharing. For example, how the role of inter-personal trust and shared vision affects knowledge development and sharing in organizational mechanisms" (Adenfelt and Lagerström, 2006).

Although knowledge is the key element for the company's innovation, it wouldn't be efficient without a proper management. What is knowledge management?

According to Zheng, Yang and Mclean, (2010) "knowledge management is a systematic and integrative process of coordinating organization – wide in pursuit of major organizational goals. Scholars generally agree that knowledge management practices need to fit with organizational context in order to create a competitive edge".

Zakaria, Amelinckx and Wilemon, (2004), define "knowledge management as a process by which information is captured, organized, stored, retrieved and transmitted. Knowledge is shaped, evaluated, discarded or embraced based on social and cultural assumptions".

For Yang (2010), "knowledge management refers to the developing body of methods, tools, techniques and values through which organizations can acquire, develop, measure, distribute and provide a return on their intellectual assets. The key point of knowledge management is to harvest the tacit knowledge residing in individuals and make it a firm asset, rather than to only leave it in the heads of the particular individuals".

López – Nicolás and Meroño – Cerdán, (2011) define "knowledge management as the processes and infrastructures firms employ to acquire, create and share knowledge for formulating strategy and making strategic decisions. Firms must take a global and consistent vision when managing its knowledge and selecting knowledge management tools to be implemented. The whole organization must share a common knowledge management orientation because knowledge management is central to their ability to grow and compete".

Understanding “management as the process of planning, organizing, directing, and controlling the organization, which individuals (managers) use to achieve the organization’s goals” (Eden, Day & Li, 2010), it could be said that knowledge management is the tool that managers use to take decisions and improve the organization’s performance.

“Management of intellectual capital has become a commonly cited source of competitive advantage. Not surprisingly, a wide range of companies have implemented knowledge management initiatives to help their employees share their best ideas and practices” (Yang, 2010).

Adenfelt and Lagerström, (2006) highlight that for knowledge development and knowledge sharing, three major aspects might be advanced as important for management to consider:

1. “The degree of differentiation of the existing knowledge in the MNC”.
2. “The need to use one or combine several sources of knowledge, that is, knowledge or one or more subsidiaries, in the development process”.
3. “The extent to which the management of the MNC is prepared to allow for local market differences at subsidiary level in the short and the long run”.

Knowledge can’t create value without effective knowledge management systems which are the means to share knowledge inside organizations.

## **Knowledge management systems**

King and Marks, (2006) define “knowledge management systems (KMS) as the means to share knowledge in organizations. Many KMS are designed to capture individual’s knowledge so that the broader organization can benefit from its dissemination. The strategy of utilizing a KMS to capture and distribute knowledge often requires that individuals contribute their knowledge to a system instead of keeping it to themselves or sharing it directly with known others only through conversations or written personal exchanges”.

Because of the potential benefits that can be realized from knowledge sharing, many organizations invest considerable time and money into knowledge management systems, “to facilitate the collection, storage and distribution of knowledge” (Wang and Noe, 2010).

“However, despite these investments it has been estimated that at least \$31.5 billion are lost per year by Fortune 500 companies as a result of failing to share knowledge” (Wang and Noe, 2010).

KMS are tools like computers, mobile phones, and other mechanisms used by global virtual teams in MNC, to communicate and share knowledge.

## Global virtual teams

Multinational Corporations need an organized structure to facilitate communication, interaction and production between the subsidiaries and the headquarters. Those structures are called “global virtual teams”.

According to Hong and Vai, (2008) global virtual teams are “identified as a group of people who work interdependently with a shared goal across space, time and organization boundaries by using the latest information and communication technology (ICT)”.

As information and communication technologies (ICT) permeate all aspects of organizational life and impact the way teams communicate, work and structure relationships, global virtual teams require innovative communication and learning capabilities to effectively work together across geographical, cultural and organizational boundaries. (Zakaria, Amelinckx and Wilemon, 2004).

But creating a knowledge-based environment inside MNC requires more than ICTs , it requires team trust, intercultural communication competences, leadership, and cultural training that encourage a collaborative environment where global virtual team members feel confident to exchange ideas and create new solutions to achieve the organizational goals (Zakaria, Amelinckx and Wilemon, 2004).

It can be said that global virtual teams have become the prevalent form of work in MNC.

For Adenfelt and Lagerström, (2006) knowledge development happens in two levels, local and global:

- “Local knowledge development is when knowledge is being developed by one subsidiary to fit its market context”.
- “Global knowledge development is when knowledge is being developed by several collaborating subsidiaries to simultaneously serve for multiple subsidiary markets”.

According to Adenfelt and Lagerström, (2006) it can be said that MNC are organizational structures particularly well prepared for knowledge creation because of the great amount of information it absorbs.

“The extreme diversity, size and reach across multiple countries, cultures and environments, of MNCs make them very fertile structures for research on knowledge creation. In MNC knowledge is created, combined and selected by a vast range of internal and external actors and forces” (Regnér and Zander, 2011).

One can think that a MNC is an “extremely fertile arena” for theoretical and empirical knowledge creation and competitive advantage. “MNC provide an interesting area for research, as they include extreme levels of diversity and complexity with regard to their internal social-identities and their interactions with diverse local networks” (Regnér and Zander, 2011).

But even though global virtual teams are a fertile arena for knowledge creation (Hong and Vai, 2008) they have a major challenge in the understanding of “how national as well as organizational culture influence team dynamics is crucial to develop a successful knowledge-sharing. Hofstede’s cultural dimensions framework (1980): power distance uncertainty avoidance, individualism versus collectivism, and masculinity, can provide useful insights into how a shared knowledge culture can be constructed” (Zakaria, Amelinckx and Wilemon, 2004).

For example global team members whose cultures value collectivism, like Colombians, “may appreciate working within a team setting and emphasize relationship building but may experience feelings of isolation since team members are geographically separated and may work without frequent group input. For those from cultures that place a high value on individual effort, like Americans, may see members from collectivistic cultures overly needy and demanding; conversely, individualist colleagues may be perceived as cold and not true team players by collectivist members (Hofstede, 1980)” (Zakaria, Amelinckx and Wilemon, 2004).

Chitakornkijasil, (2010) affirm that cultural differences can make communication very difficult, and sometimes impossible. “Culture strongly affects values, beliefs, world views, nonverbal behavior, language, and how to have relationships with others”.

“Major barriers of effective cross-cultural communication come from: differences in spoken language, the extent to which information is exchanged, the use of nonverbal behavior and time management” (Chitakornkijasil, 2010).

That’s why it can be said that the interchange of knowledge inside MNC requires communication and learning capabilities among team members across geographical and organizational boundaries. Global virtual team interactions and work processes cannot be compared to traditional team structures or treated as such by team managers, because global virtual teams face more cultural and organizational challenges. (Zakaria, Amelinckx and Wilemon, 2004).

It can be said that the challenge inside the global virtual teams rely in the share of knowledge and ideas and the construction of shared understanding among team members to minimize the problems or conflicts that may arise. As Hong and Vai, (2008) affirm “shared understanding is a crucial factor to align all the virtual team members together, deliver the same strategy and achieve the same goals. Virtual team members, sometimes operating alone or as a small team in their isolated location, tend to behave differently if there isn’t a common purpose”.

“The potential advantages of global virtual teams are that they can create culturally synergistic solutions, enhance creativity and cohesiveness among team members, promote a greater acceptance of new ideas and provide a competitive advantage for MNC. Though global virtual team diversity offers potential richness” (Zakaria, Amelinckx and Wilemon, 2004). Another advantage of global virtual teams is that the diversity of their members give them the possibility to complement each other’s knowledge gap. (Hong and Vai, 2008).

But as there are advantages there are also disadvantages. Global virtual teams tend to “have more time consuming decision-making processes and when miscommunication and misunderstanding occur, stress and conflicts among team members are heightened and less easily dispelled” (Zakaria, Amelinckx and Wilemon, 2004).

# Methodology

This study analyzes the link between knowledge sharing and communication management in MNC by considering knowledge sharing a determinant capability for innovation (López-Nicolas and Meroño-Cerdán, 2011).

This literature review presents a theoretical approach, that examined a range of articles about knowledge sharing, knowledge management and communication in MNC. The data was collected analyzing the information provided in the articles and comparing the findings of the different researchers.

It can be said that as Cronin, Ryan and Coughlan, (2008) state in the article “Understanding a literature review a step-by-step approach” these were the steps followed in this literature review:

1. Selecting a review topic
2. Searching the literature
3. Analyzing and synthesizing the literature
4. Writing the review
5. Conclusions and references

This review is to a large extent exploratory in nature and opens as many new issues to explore further as it provides answers.

# Conclusion

The objective of this literature review is to answer the question: How communications management contributes to knowledge sharing inside Multinational Corporations (MNC) between the headquarters and the subsidiaries?

After examining several documents and reading the definitions and conclusions that different authors have found about this subject, it can be said that communication management is a decisive tool for sharing knowledge between headquarters and subsidiaries in a MNC.

All authors agree, that communication not only contributes to the share of knowledge inside MNC but it is also considered “a critical strategy for firms to obtain competitive advantage in managing strategy and firm performance” (Yang, 2010).

But how communication managers contribute to the share of knowledge inside MNC? It is key to understand that the share of knowledge between the headquarters and the subsidiaries come from the interaction of the global virtual team members and how this knowledge is managed, analyzed and used, not only locally but globally, depend on how the MNC has established their strategic goals (Hong and Vai, 2008).

“Sharing a common goal is found to be important for knowledge sharing inside global virtual teams.” (Hong and Vai, 2008).

It is also important to highlight that knowledge management not only depends on how the communication manager conducts the application of the communication strategies inside the Corporation. Knowledge construction inside a MNC is complex, wide and diverse and it requires the participation of multiple disciplines and team members to work in a harmonious and organized environment (Hong and Vai, 2008).

Even though communication is decisive for knowledge sharing inside MNC, the vast majority of studies in this literature review suggest that it is the recombination of knowledge that comes from multiple and heterogeneous subunits or subsidiaries that produce new knowledge and capabilities for the Corporation (Regnér and Zander, 2011).

Conclusive research on the relationship between communication management and knowledge sharing has found that knowledge impacts the firm performance and is considered a decisive asset to obtain competitive advantage (Yang, 2010). “The success of knowledge management initiatives depend on knowledge sharing” (Wang and Noe, 2010).

Another conclusion of the information presented in this literature review is that “knowledge sharing may be facilitated by having a less centralized organizational structure, creating a work environment that encourages interaction among employees, encouraging communication across departments and informal meetings” (Wang and Noe, 2010).

As knowledge sharing is of course, a form of communication, it depends on the commitment and communication climate of the MNC to assure positive results (Bart Van and Ridder, 2004).

Finally, it can be said that the global economy is becoming increasingly knowledge based and in today's knowledge intensive economy, an organization's available knowledge is becoming an increasingly important resource. "In the "resource-based" view of the firm, knowledge is considered to be the most strategically important source" and the MNC is an extraordinary vehicle for knowledge sharing across national borders" (Bart van & Ridder, 2004), (Regnér, and Zander, 2011).

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