STRATEGIC KNOWLEDGE MANAGEMENT IN THE MULTINATIONAL CORPORATION (MNC) THROUGH TRANSCULTURAL PROJECTS

Track: ***Management, Organisation and Cultural Issues***

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ABSTRACT

According to the resource-based view (RBV) of the firm, strategic assets are the critical determinants of an organisation's ability to maintain competitive advantage in a fiercely competitive marketplace. The knowledge-based view (KBV) suggests that to sustain this advantage, the company should have a unique ability to innovate and exploit its pool of dynamically created knowledge. Further, the interaction among technology, techniques, and people allows the organization to manage its knowledge effectively. Of these three elements, people are the most important, as they produce and use routine, innovative, and strategic information, and are prime movers and repositories of knowledge. By creating a dynamic learning environment, the workforce climbs the knowledge curve to *sustain* competitive advantage. Significantly, globalisation has impelled MNCs to spawn transnational projects. These projects are potentially rich resources for the harvesting of exclusive—and scarce—intercultural, competitive knowledge. Ideally, such knowledge should be harvested by the MNC and strategically used in subsequent projects. Thus, competitive advantage + strategic use of new intercultural knowledge = sustainable competitive advantage for global leadership. The key contribution of this conceptual paper is in predicating sustainable competitive advantage to strategic use of tacit intercultural knowledge through transcultural projects.

Key words: Knowledge-based View, Multinational Corporation, transcultural project, tacit knowledge, intercultural knowledge, competitive advantage

INTRODUCTION

The resource-based view (RBV) of the firm postulates that strategic assets are the critical determinants of an organisation's ability to maintain sustainable competitive advantage in a fiercely competitive marketplace. These include human resources, as well as capital equipment, material and machinery as tangible assets. Though intangible assets such as goodwill and copyrights have been widely acknowledged and accounted for in the balance sheets of companies, corporate knowledge base in general is only implicitly acknowledged. In an increasingly knowledge-intensive world fuelled by globalisation, the strategic value of human knowledge is being widely recognised. Indeed, human knowledge composes the most critical intangible strategic asset of a firm—congruent to people being the most important resource of the firm. This paper therefore contends that organisational knowledge is a strategic though intangible asset that could lead to sustainable competitive advantage.

The knowledge-based view (KBV) of competitive advantage is predicated on the thesis that to sustain this advantage, the company should have a unique ability to innovate and exploit its pool of dynamically created knowledge (Drucker, 1993). In the case of a Multinational Corporation (MNC), this calls for the diffusion, capture, and strategic exploitation of valuable and unique inter-culturally created knowledge through its multinational projects. The resulting sustained competitive advantage should enable MNCs to evidence superior performance toward global leadership.

A RESOURCE-BASED VIEW OF THE FIRM

According to the resource-based view (RBV) of the firm, strategic assets are the critical determinants of an organisation's ability to maintain sustainable competitive advantage in a fiercely contested marketplace. Investigating where strategic or core competences lie within the firm's processes has, in a resource-based view, focused attention on the physical resources and the way in which they are used. According to the RBV, competitive advantage that is measured as economic rent derives from valuable, rare, inimitable, and non-substitutable strategic resources (Castanias and Helfat, 1991). More comprehensively, this description can well apply to both tangible and intangible resources of the firm. Indeed, in the knowledge-intensive era we live in, we need to look beyond physical assets to enhance competitiveness.

A KNOWLEDGE-BASED VIEW OF THE FIRM

A knowledge-based view (KBV) would encourage physical resources to be associated with knowledge. To sustain its competitive advantage, the firm should have a unique ability to innovate and exploit its pool of dynamically created knowledge (Drucker, 1993). The outlook of the organisation with a knowledge-based view (Grant, 1997; Davis and Botkin, 1994) proposes a shift from a focus on physical resources as in the resource-based view (RBV) of the firm (Prahalad and Hamel, 1990). The latter perspective focused at a strategic level on the notion of core competences which might give the firm sustained advantage over its competitors through the use of tangible assets in processes (Nonaka and Takeuchi, 1995). Knowledge management has been discussed in a number of ways, including the economic perspective (Drucker, 1993; Kim and Mauborgne, 1997). This standpoint predicts a knowledge age to follow and an industrial age where knowledge—rather than financial capital—becomes the limiting resource. The meanings of knowledge and of organisational learning have been expounded in the literature, and the measurement of knowledge as an intellectual and strategic asset has been advocated as an important competitive driver of future organisations (Edvinsson and Malone, 1997).

TECHNOLOGY, TECHNIQUES, AND PEOPLE

An obvious but important aspect of harvesting knowledge is the interrelationship among people, techniques, and technology. All three are required for knowledge to be created, captured and stored in critical areas to actuate and inform the firm's strategy. Together, they form the basis for constructing agile learning environments linked to tangible performance criteria and accomplishment of strategic objectives.

Information and communication technologies are increasingly involved in the extraction, capture, diffusion, and strategic deployment of knowledge. In this context, there are four types of technology to be considered: (1) databases; (2) decision support tools and artificial intelligence; (3) email and video conferencing; and, (4) intranets and the Internet. Techniques used, such as expert systems, artificial intelligence and Internet-mediated communications, are also important in transferring knowledge. Viable knowledge transfer processes are essential in supporting organisational effectiveness in the field of best practice, where there is a close association with knowledge embedding processes.

In transferring knowledge, its reliability, timeliness, completeness, and accessibility need to be ensured. Further, the cost of knowledge transfer has to be economised. Butler and Gill (1997) suggest that reliable knowledge is judged by three parameters: *scientific*, passing the test of interrogation for cause and effect; *social*, being assessed through argument and discussion in social groups; *organisational*, against accepted procedures. The creation of reliable knowledge involves the expectation of future outcomes, as well as trust building among participants.

Further, the interaction among technology, techniques, and people allows the organisation to manage its knowledge effectively. Of these three elements, people are the most important, as they are producers and users of routine, innovative, and strategic information, as well as repositories and prime movers of knowledge. The notions of communities of practice encourage the trust required for individuals to share knowledge with colleagues. By creating a dynamic learning environment and applying new knowledge to innovative effort, the workforce climbs the corporate knowledge curve to *sustain* competitive advantage. Thus, organisational knowledge + dynamic organisational learning combining people, technology, and techniques + innovation = competitive advantage.

PROJECTS, PROJECTISATION AND PROJECTIFICATION

The Project Management Institute (PMI)'s definition of a project broadly states that: "A project is a temporary endeavour undertaken to create a unique product or service." (Meredith and Mantel, 2000). Because of constraints imposed on them and the advancement of technology, projects today consist of a number of complex and/or interdependent activities [Packendorff, 1995]. Thus, a more comprehensive definition for projects may be forwarded: projects are complex temporary organisations purposively created by an entity to accomplish resource-constrained, non-routine, and non-repetitive tasks within predetermined time, cost, and performance parameters (Sohmen, 2001).

In Figure 1 we see a cause-and-effect sequence among projects, projectisation, and projectification. As firms and entrepreneurs in society launch more projects, a cycle of intensive projectisation of the firms is seen—even as society in turn becomes projectified.

(Figure 1)

Projectisation of the firm

Traditional organisations often have hierarchical structures with several layers of management. However, as firms transition to organising work by projects, they become increasingly project-oriented. This conforms to the concept of the dynamic "post-entrepreneurial organisation" (Kanter, 1996). Such an organisation is defined by a decrease in its vertical dimension through a reduction of corporate hierarchies, and an increase in its horizontal dimension—with direct cooperation between peers across divisions and departments. A more conducive climate for innovation in thus created. As a result, a plurality of flat and networked projects are launched to carry out specific tasks though multi-functional, autonomous teams (Sohmen, 2001).

Why are projects becoming popular? A fundamental reason is that some tasks simply are difficult or impractical to achieve in a traditional, hierarchical firm due to organisational inertia. Three other reasons suggested for the increasing popularity of projects are [Meredith and Mantel, 2001]: (1) the exponential expansion of human knowledge; (2) the growing demand for a broad range of complex, sophisticated, and customised goods and services; and, (3) the evolution of world-wide competitive markets for the production and consumption of goods and services. Projects also lend flexibility to an organisation. They offer the opportunity to change directions fast in a firm that does not normally react rapidly to environmental changes [Donaldson, 1996]. Further, projects are intensely goal-oriented, and therefore are ideal tools to vigorously accomplish objectives.

Figure 2 depicts the typical project as a flat, networked structure that promotes focused inter-disciplinary interactions to accomplish tasks systematically, creatively, and speedily. This has led to a shift in organisational structures. The previously dominating attributes of institutional and permanent structures have evolved towards the characteristics of more project-oriented and temporal structures [Packendorff, 1995]. There are thus clusters of focal interest at different levels and locales of the organisation, depending upon how resources are allocated to create these projects. As leaders, project managers plan, coordinate and control these projects, utilising the parent organisation's resources toward timely and successful outcomes.

(Figure 2)

The post-modern epoch encourages smaller, skilled work-groups and rapid technological innovation, as seen in modern projects [Huzzard, 2000. p.19]. Figure 3 shows a firm that is projectised through launching multiple projects. The boundary of such a projectised firm is depicted in broken lines in the figure because hierarchically structured parent organisations can be expected to become more flexible and less pyramidal as rigid, vertical functional boundaries are broken down. Consequently, synergies and economies of scale can be expected, concurrent with intensive projectisation and dissolution of functional boundaries.

(Figure 3)

Projectification of the society

The somewhat static situation of the labour force seems to have changed into one that is characterised by more of time-limited and often task-oriented employment [Söderlund, 2000].

Organisational structure has also shifted in many companies, from previously being rigid, hierarchical, and permanent, to spawning a stream of temporary projects to accomplish evolving strategies. This increasing occurrence of projects in the community translates into the projectification of society. It denotes a transition of the general structure of society from traditional institutions to being populated by a plethora of projectified entities. According to Institutional Theory, projectification is a form of institutional isomorphism, with firms conforming to socio-economic pressures to continue the projectising trend cumulatively [DiMaggio & Powell, 1983].

(Figure 4)

The concept of the "projectified" society is thus based on the increase of project usage in society (Figure 4). One indicator of this trend is the growth in membership of professional organisations such as PMI that has doubled in the last three years (Lundin and Stablein, 2000). Another is the exponential demand around the world for training in project management techniques. The projectified society has been described as a world where most people work in temporary organisations and where all reports on economic life would focus on the project (Lundin and Söderholm, 1995). Such a society would demand skilled project managers, a frictionless job market, and some agents linking projects and skilled personnel in society. The existence of electronic databases of up-to-the-minute project-related jobs and current curriculum vitae of potential project participants is greatly facilitated by the Internet. Matching people with appropriate skills and experience, with project needs in a society, thus becomes both precise and fluid. This further accelerates the trend towards the projectification of society.

THE IMPACT OF GLOBALISATION

Significantly, globalisation has caused MNCs to spawn transnational projects with increasing frequency (Lundin and Stablein, 2000). These projects are potentially rich resources for the harvesting of exclusive—and scarce—intercultural, competitive knowledge. Ideally, such knowledge should be harvested by the MNC and strategically used in overlapping or subsequent projects. Thus, competitive advantage + strategic use of intercultural knowledge = sustainable competitive advantage for global leadership. Strategies for this include: global mentoring; multicultural diversity training; intense codification of tacit intercultural knowledge (Nonaka, 1995); and, strategic projectisation of the firm for flexibility.

ORGANISATIONAL KNOWLEDGE AS A STRATEGIC ASSET

Knowledge management (KM) as an emerging discipline has several academic and managerial disciplines contributing to it. These include philosophy, economics, social science and physical sciences, information and communications technologies. The people orientation of knowledge management engages behaviour and social aspects and the understanding of learning processes for individuals, groups and organisations. It also fosters innovation and creativity, from which the protection of intellectual property originates. Effectively implementing a sound KM strategy and becoming a knowledge-based company is seen as a mandatory condition of success for organisations as they enter the era of the knowledge economy. The strategic analysis of knowledge as a key resource is helpful as a starting point for a more detailed understanding of how a knowledge-based perspective of management might lead to improvement in capabilities in terms of practice and performance. Regarding knowledge as the source of competitive advantage that can be held by a business forces us to continue to look for robust methods of measurement.

Knowledge management (KM) provides a framework within which management can balance its KM focus and establish and communicate its strategic direction. Core competencies are based on the skills and experience of the people who do the work, and may hardly exist in physical form. Therefore, it is important that organisations find a way to tap into their pooled knowledge base in order to preserve and expand their core competencies. Knowledge is becoming the driving force in the world economy. It becomes critical therefore for an organisation to find ways of accessing existing knowledge and creating new knowledge.

When knowledge within the organisation is shared, it becomes cumulative. It is then embedded within the organisation's processes, products, and services (Demarest, 1997). Grant (1997) asserts that tacit knowledge is demonstrated only in its application. The goal should not be to capture what everyone knows so that everyone has the same knowledge, but to *combine the various levels of expertise present to create new organisational knowledge.* This will require networking and communication channels that encourage sharing and collaboration. Employee know-how is one component of organisational knowledge and a crucial strategic resource. If the process of knowledge management is a function of the organisational culture and employees' collective knowledge, then it follows that organisational knowledge is certainly a strategic asset.

To be a strategic asset, the resource must possess four characteristics (Michalisin, et al., 1997). It must be: (1) valuable; (2) rare; (3) inimitable; and, (4) non-substitutable.

Collective and cumulative organisational knowledge is thus a strategic asset as follows (Bollinger and Smith, 2001):

- *Inimitable*: Each individual in the organisation contributes knowledge based on personal interpretation of information. Group interpretations and assimilation of knowledge are dependent on the synergy of the total membership of the group. In addition, organisational knowledge is built on the unique past history of the organisation's own experiences and accumulated expertise. Therefore, no two groups or organisations will think or function in identical ways.

- *Rare*: Organisational knowledge is the sum of employee know-how, know-what, and know-why. It is rare as it is dependent on the knowledge and experiences of current and past employees, and is built on specific prior organisational knowledge.
- *Valuable*: New organisational knowledge results in improved products, processes, technologies, or services, and enables organisations to remain competitive and viable. Being the first to acquire new knowledge can help the organisation attain a valuable strategic advantage.
- *Non-substitutable*: The synergy of specific groups cannot be replicated. Thus, the group represents distinctive competence which is non-substitutable.

To be competitive in a fierce marketplace, MNCs should capture relevant knowledge from its transnational projects, escalating it in a timely manner congruent to corporate strategy. As a strategic asset, organisational knowledge is the key to competitive viability and growth of the MNC. The composite culture of the organisation that explicitly incorporates diversity and the deliberate harvesting of strategic knowledge is a critical element in determining success.

KNOWLEDGE MANAGEMENT IN TRANSNATIONAL PROJECTS

Transnational projects are composed of multicultural players with unique skills and expertise. The knowledge created by these participants need to be captured and retained for strategic use in future projects. Until recently, knowledge management was associated with selling knowledge-based products and services. Now, it is rapidly becoming an integral business function for many organisations as they realise that competitiveness hinges on effective management of intellectual resources. The concept has penetrated many different functions and processes of business. The management of knowledge is best accomplished by becoming embedded in various aspects of the MNC. To the organisation, knowledge is defined as what people know about customers, products, processes, mistakes, and successes (Grayson and O'Dell, 1998). It resides in databases, through sharing of experiences and best practices, or through other sources that are both internal and external to the organisation. Organisational knowledge accumulates over time, and enables firms to attain deeper levels of understanding and perception. Knowledge that is created in the transnational/ transcultural projects of an MNC therefore needs to be harvested and pooled for strategic deployment.

Information, tacit knowledge and codified knowledge

Information is data organised into meaningful patterns, and is descriptive and historical in that it is rooted in the past and present. Knowledge is information combined with experience, context, interpretation and reflection (Davenport, 19997). It is information transformed when a person reads, understands, interprets, and applies the information to a specific work function. Knowledge is perishable but, properly harnessed, can result in wisdom that may be directed towards a plethora of operational tasks (Bennet and Gabriel, 1999). Knowledge is therefore valuable, perishable, and actionable.

Through knowledge[1] management using causal links, information is combined with experience, context, interpretation and reflection to form knowledge for specific applications (Lee and Yang, 2000; Davenport, et al., 1998; Hall, 1976). There are two kinds of knowledge

[1] Knowledge applies to facts or ideas acquired by "study, investigation, observation, or experience." *(Mirriam-Webster's Collegiate Dictionary).*

that exist within an organisation: tacit and explicit (Hall, 1976). Whereas explicit knowledge is codified as text, blueprints and formulae (Sölvel and Zander, 1994), tacit knowledge is personal knowledge in a non-verbal form that is internalised, and embedded in cultures (Polanyi, 1962). Tacit knowledge is the unarticulated knowledge that is in a person's head, and is often difficult to describe and transfer. It includes lessons learned, know-how, judgment, rules of thumb, and intuition (Grayson and O'Dell, 1998). There are so many nuances involved that it can be difficult, if not impossible, for individuals to describe what it is that they know. However, the sharing of tacit knowledge is a key characteristic of team-based, learning organisations. Such knowledge is best transferred through strong social ties. As shown in Figure 5, when tacit knowledge is externalised, it becomes explicit knowledge, which in turn can be codified, comprehended, and internalised by project participants. There are three types of explicit knowledge in any organisation—cognitive knowledge, advanced systems skills, and systems understanding (Meso and Smith, 2000). All these are seen in projects, and codification makes it easy to access and share knowledge among diverse project participants.

(Figure 5)

Knowledge management, transfer and retention in projects

Knowledge management is the process of capturing the collective expertise and intelligence in an organisation and using them to foster innovation through continued organisational learning (Davenport, 1997). In knowledge transfer, there are three stages: temporality, absorption, and value (Shariq, 1999). Temporality is the speed, length of retention, and obsolescence rate of knowledge. Absorption is the cognitive capacity of individuals to absorb knowledge (Szulanski, 1996). Value is the usefulness and esteem accorded to the knowledge, especially to tacit knowledge. The conversion of tacit to explicit knowledge is a key process in creating new knowledge (Lee and Yang, 2000). The transferred knowledge needs to be captured and retained. Indeed, systematic knowledge transfer and retention creates a knowledge-producing environment that is necessary in organisations in general, and critical in a project organisation (Bennet and Gabriel, 1999).

Yet, a survey of 430 firms from Europe and North America confirmed that internal cultures comprised a significant barrier to effective knowledge transfer, and that employees' behaviours needed to change to overcome this barrier (Skyrme and Amidon, 1997). The technological expertise in multinational projects is often tacit and is best transmitted through personal relationships (Powell, 1996). Enhanced socialisation throughout the project is needed to dissolve these barriers.

Knowledge, Diversity, and Competitive Advantage

Hofstede's extensive research on cultural diversity has provided empirical evidence that supports the claim that national culture influences individual belief structures within organisations. "Corporations operating across national borders and diversified into different types of businesses are bound to host considerable cultural diversity within their ranks." (Hofstede, 1980). Because national culture is deeply ingrained in an individual's knowledge structure, projects operating across borders need to develop internal belief structures that support cultural diversity.

Knowledge management as a business strategy

Competitive firms believe that KM is central to their ability to grow and compete. These organisations ensure that ever-improving knowledge is accessible to and through their people, processes, and products. Knowledge is frequently seen as a product by these firms, which pursue knowledge management with the conviction that it will have a significant and direct impact on the profitability and viability of the enterprise. A good strategy is to integrate the strategy for individual projects with the overall MNC strategy. Because knowledge essentially is the company's service, creating it through transnational projects and leveraging it is considered a necessity to remain competitive. Revenue enhancement, cycle-time reduction, and use of knowledge then become the driving forces behind the strategy of many MNCs.

Transfer of knowledge and best practices

Systematic approaches to knowledge use and transfer are used to obtain, organise, repackage, and distribute knowledge. For this, the importance of project teams, relationships, and networks, become the basis for effective transfer. Informal sharing of knowledge can be creative while establishing long-lasting, effective networking. Organised knowledge sharing in multinational projects can reach much broader populations with greater value to the enterprise.

Personal responsibility for knowledge

This strategy stems from the belief that people are the engine of knowledge and should be supported as such. Individuals in the projects are personally responsible for identifying, maintaining, and expanding their own knowledge as well as understanding, renewing, and sharing their knowledge assets across cultures.

Employees are the ultimate source of new knowledge in the respective transnational projects and the parent MNC, and they are responsible for their own knowledge development. Expecting people to take personal responsibility for their own knowledge and the knowledge the firm entrusts to them provides them with the initiative to create, diffuse, and archive competitive and valuable knowledge.

Intellectual asset management strategy

This strategy emphasises enterprise-level management of specific intellectual assets such as patents, technologies, operational and management practices, customer relations, and other structural knowledge assets. These may be generated through innovative transnational projects or by the MNC, which in turn may focus on renewing, organising, evaluating, marketing, and increasing the availability of these assets. Knowledge management thus becomes a vehicle for value management for the MNC and its transnational projects. Thus, innovation and the creation of new knowledge can be seen as a priority of knowledge management activities.

CULTURE AND THE ORGANISATION

Interest in the concept of culture applied to organisational behaviour originated in the mid-1970's when organisational sociologists realised that traditional models of organisations could not explain disparities between strategy and implementation. Several research streams have developed in the field of management as a result. Among them, comparative management, corporate culture, and organisational cognition have been prominent in the management literature. Comparative management has mostly considered national cultures, how these affect management and organisations, and how organisations are structured and operated in different countries. In this view, culture is seen as an exogenous variable, influencing the development and reinforcement of core beliefs and values within the organisation. This research stream is one of the most developed topics in international business studies, providing a distinctive identity to this field.

The Boundary between National and Organisational Culture

Recently, researchers have been interested in the boundary between national culture and corporate culture, trying to distinguish one from the other, and to develop relationships between these two constructs and performance outcomes (Franke, Hofstede & Bond, 1991). On the other hand, a considerable effort has been given to demonstrate that organisational culture is a universal concept, inferring that since management work is similar across borders, then national culture has no impact in organisations. These researchers posit that people in organisations think and act similarly, regardless of their home country culture, and that these worldwide similarities can serve as the rationale for developing a generic theory about the nature of organisations and managerial work (Drentch, 1985; Hickson, 1974). Mintzberg (1973), for example, described universal roles of managerial work and categorised them into three groups: interpersonal roles, informational roles, and decisional roles. A different perspective from the political science literature also suggests that national culture plays a minor role in influencing managerial work (Hyden, 1983). In this view, managerial work is influenced by the economic and technical factors associated with a country's stage of industrialisation.

The study of culture as a distinctive feature of organisations has also developed significantly during the eighties, independently from the cognition literature. Researchers have identified cultural dimensions of organisations and the existence of cultural differences across organisations (Hickson 1974). The debate centres around which organisational cultures are best adapted for superior performance (Wilkins & Ouchi, 1983). Issues of cultural change (Lorsch, 1985), cultural fit (O'Reilly, Chatman & Caldwell, 1991), conflict, and competencies (Hamel, 1991) among others, have resulted from the researchers' attention to organisational culture. This stream of literature has in turn ignored the cognitive processes of individuals as well as cultural differences across borders. Researchers in the international management field have looked at the influence of national culture in organisations operating in several countries, and have identified cultural dimensions that differ across borders (Franke, Hofstede & Bond, 1991). The debate here is to what extent national culture affects strategic choice and organisational behaviour. However, little attention has been given to the interplay between national culture, organisational culture, and cognition, when studying the decision processes of managers.

Other studies have found significant differences in national cultures and show that national culture does play a significant role in management perceptions and behaviours (Hofstede, 1980; Franke et al., 1991). Hofstede (1991) provided a partial classification by differentiating among national, occupational (group level), and organisational cultures. He categorises the national culture as being comprised mostly of values, while organisational culture being conformed by practices. The explanation for these differences is that national cultures are programmed into individuals at the early stages of life, thus they "form the most profound level of our mental programs, which is our values". Wilkins and Ouchi (1983) also point out that since the learning of organisational culture occurs in adulthood, it is not as deep or as immutable as native culture.

INTERCULTURAL KM AS A SUSTAINABLE STRATEGIC ASSET FOR THE MNC

The interaction among technology, techniques and people allows the MNC to manage its knowledge effectively. Of these three elements, people are the most important, as they are producers and users of routine, innovative, and strategic information, as well as repositories and prime movers of knowledge. In the transnational projects executed by the MNC, participants from different cultures comprise a rich resource of intercultural knowledge. When this knowledge is captured and organised in databases, it is a potential strategic asset for the parent organisation.

(1) Effective knowledge management = people + technology + techniques

Comparative management studies (Franke, Hofstede and Bond, 1991; Kogut and Singh, 1988) and organisational culture literature have established some evidence of the influence that national and organisational culture have on performance. The cognitive process helps explain how culture affects performance. The cognitive literature has theoretically and empirically established the link between cognition and behaviour. Hence, we need to explore the influence of culture on the cognitive processes of individuals and groups to establish the more interesting relationship between culture and strategic behaviour and its performance implications.

The issue of culture as it relates to the MNC has two distinct components. One refers to the influence of national culture on the behaviour of individuals within the transnational projects and the parent firm. The other refers to the particular cultures that organisations develop within, as a result of group dynamics, the history of the organisation and the values and beliefs of its members. The observation that managerial work does not differ across organisations or across borders does not rule out the influence of culture. Different nationals within the same project will differ only marginally in their practices, while their basic values (how they feel about what they do) can vary considerably (Hofstede, 1991). Perceptions in turn are at the core of the decision making process within the projects, since it is the perception of reality that ultimately defines the map of options available to the decision maker. Hence, an important form of knowledge development occurs through the project participants' perceptions of uncertainties (Miller, 1993).

From an international strategy perspective, models of organisations that do not include culture as a specific organisational variable may be incomplete and inadequate in explaining performance (Wilkins and Ouchi, 1983). Porter (1991) suggests that the origins of competitive advantage can only be found in the understanding of why some firms are more successful than others. He proposes that two variables be considered to understand the origin of competitive advantage: initial conditions and managerial choice. The MNC would therefore do well to not only scan the external competitive environment, but the internal environment as well. By creating a dynamic learning environment, this international workforce climbs the knowledge curve to create knowledge-based competitive advantage.

(2) Organisational knowledge + dynamic organisational learning + innovation = Knowledge-based Competitive Advantage.

Better information inputs improve project personnel and effectiveness of decision-making. There is also shared and applied learning across project teams. Further, focused stimuli and processes enhance innovation. The result is that new ideas, processes, and project learning become reusable organisational assets. Intercultural knowledge management thereby enables the stimulation of innovation that sustains competitiveness for global leadership. Just as a tornado is sustained by the kinetic energy provided by expanses of water surface, MNCs need to draw upon the innovative energy of transnational project players.

(3) Knowledge-based Competitive Advantage + strategic use of intercultural project knowledge by the MNC = Sustainable Competitive Advantage for global leadership.

Parkhe (1991) argues that interfacing managers' behaviours in global strategy are influenced by societal, national, corporate and operating level characteristics. Transnational projects operating in diverse socio-cultural environments are an exciting opportunity to increase the knowledge base of the MNC—and the ambient society. For sustained global leadership several ongoing actions are needed. These include: global mentoring of transnational project personnel; multicultural diversity training of the MNC’s employees; intense codification of tacit intercultural knowledge among cross-cultural project players; and, strategic projectisation of the MNC for flexibility in a turbulent environment.

CONCLUSIONS

Going beyond the resource-based view (RBV) of the firm, the knowledge-based view (KBV) has become significant in recent years due to the impact of the knowledge-based economy. Indeed, knowledge as an intangible commodity has assumed the role of a strategic asset for firms. In the case of the Multinational Corporation (MNC) with transnational projects, the challenge is to harvest valuable and scarce intercultural knowledge among multi-ethnic players. Some economists and organisational theorists tend to underestimate the impact of national culture on understanding organisational performance (Drentch, 1985; Hickson, 1974). Others have attempted to define some types of organisations in which "performance cannot be adequately or accurately understood without a comprehension of the culture of the organisation" (Wilkins and Ouchi, 1983). Wilkins and Ouchi (1983) developed a "theory of clan control" based on agency theory. They argue that organisations with strong cultures operate efficiently by developing shared social knowledge in two areas: a general paradigm that helps participants determine what is in the best interest of the organisation; and the perception of shared goals, as in a transnational project environment. Given these characteristics, employees of the MNC communicate better by sharing frameworks, language, and referents that help them in their decision processes—even under unfamiliar circumstances in far-flung foreign locations. Under conditions of uncertainty, members in these organisations can decide quickly and with a high level of agreement, because their decisions are made in harmony with the collective interest of the MNC's workforce dominated by internal cohesiveness. Ultimately, the synergy realised through this cohesion enables pooled intercultural knowledge to be channelled and used strategically. Transnational projects spawned by the MNC thus become rich and sustained sources of competitive strength for the firm in a turbulent international environment.

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Figure 1

Projects, Projectisation, Projectification

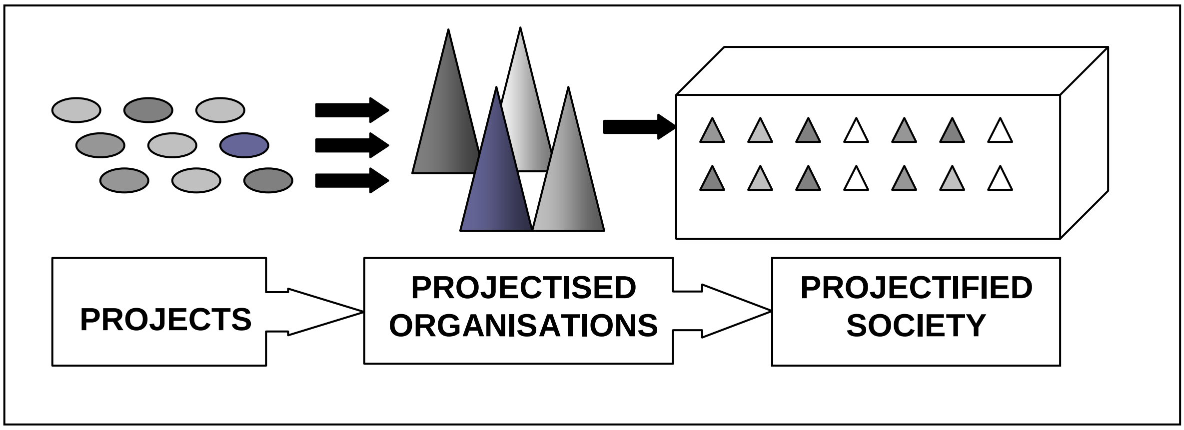

Figure 2

Flat-networked Project Configuration

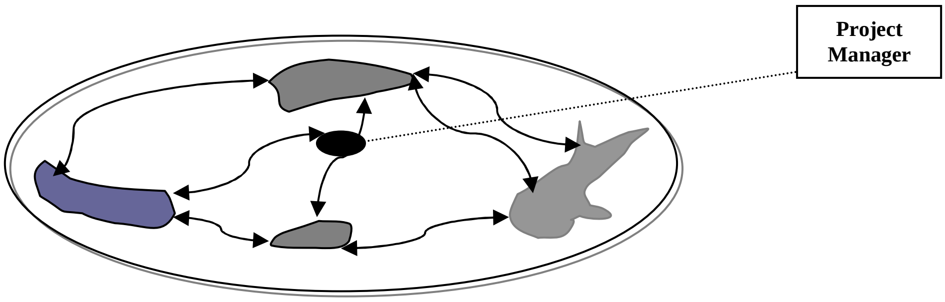

Figure 3

Projectisation of the Firm

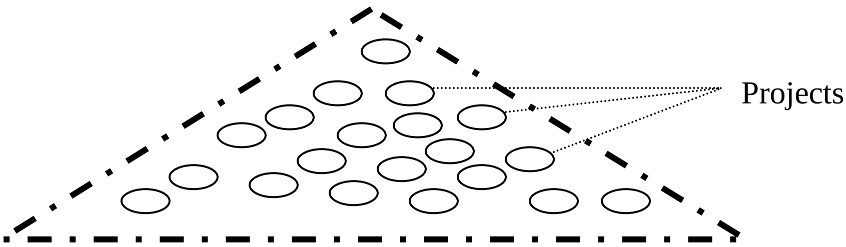

Figure 4

Projectification of Society

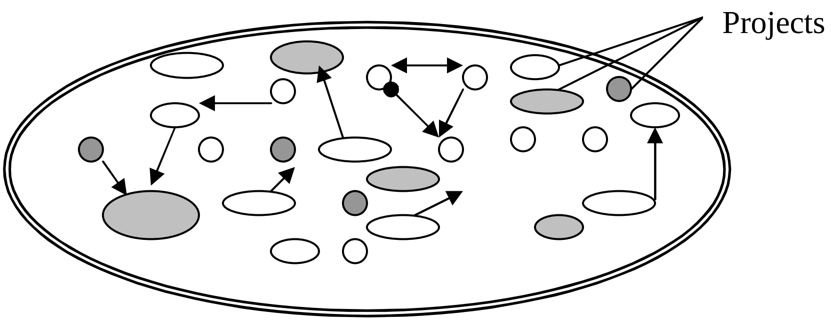

Figure 5

Tacit and Explicit Knowledge Responses