



**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT**

**EFFECTIVENESS OF KNOWLEDGE TRANSFER IN
MULTINATIONAL COMPANIES: THE CASE OF TWO
MANUFACTURING COMPANIES IN ETHIOPIA**

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Statement of Declaration

I, the undersigned, declare that this study is my original work and has not been presented for a degree in any other universities or Colleges, and that all the sources of materials used for the study have been duly acknowledged.

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Acronyms

- BGI** - Beverage George Industry
- CCBA** - Coca-Cola Beverages Africa
- CM** – Change Management
- EABSC** - East Africa Bottling Share Company
- FDI** - Foreign Direct Investment
- FDRE** - Federal Democratic Republic of Ethiopia
- FSA** - Firms Specific Assets
- GDP** - Growth National Product
- GMs** - General Managers
- HQ** - Head Quarter
- IT** - Information Technology
- KM** - Knowledge Management
- KT** - Knowledge Transfer
- MNCs** - Multinational Corporations
- MoA**- Ministry of Agriculture
- R&D** - Research and Development
- SPSS** - Statically Packages of Social Sciences
- US** - United States
- VM** - Vice Managers

ABSTRACT

*Transferring knowledge from one subsidiary to another subsidiary increases the speed, efficiency, and quality of learning of an organization. Transferring and re-using information from previously learned source can help a company to reduce the cost of learning for a new target task (Chin, 2013). Inter-subsidiary relationship, the degree of involvement of the subsidiary in the company network and the internal competitiveness within and across units influences knowledge transfer. A subsidiary relationship is made of interactions formed with external partners; however, each unit is unique and is embedded in its own local context, and integrated in the MNC network (Lee & Wu, 2010). The study intended to investigate effectiveness of knowledge transfer in multinational companies. It was conducted in East Africa Bottling Share Company (EABC) and Beverage George Industry (BGI) companies which are Multinational Companies in Ethiopia. The researcher used descriptive research design and mixed research approach to investigate the study. Among 143 target population of the study (not including the physical labors of the companies), 4 managers and 103 workers were taken as a sample. Participants of the study were selected using judgmental and stratified sampling techniques (**by using top mgt, middle level mgt and lower-level mgt as a strata**) to select managers and employees of the two selected companies respectively. Both primary and secondary data was collected through data gathering instruments of survey questionnaires, semi-structured interview, direct observation and document analysis. Then, the data gathered in different sources was analyzed and interpreted in descriptive manner using SPSS. The finding revealed that an adoption and deployment of effective knowledge transfer is very essential; however, a company cannot be successful without a robust knowledge transfer especially when deployed in an international dimension where subsidiaries and Head Quarter constantly interacts each other. Even though, these Companies attempted to understand the phenomenon of effective knowledge transfer and a number of mechanisms have been proposed and described, none of them are fully adaptable to the context of these Companies. The companies faced lack of specificity to this particular field of practice. Hence, there is a need for a strong communication system to maintain good information flow to bring effective knowledge transfer to be competitive firms.*

Key Words: Knowledge Transfer, Knowledge, MNCs, Manufacturing Firms

CHAPTER ONE

Introduction

This part of the study provides the background of the research studied; the statement of the problem, the objective, research questions and hypotheses, significance, scope and limitation of the study. In the last section, it depicts definitions of keywords and organizing the structure of the study.

1.1. Background of the Study

Knowledge is considered as an asset, an item, very subjective and often intangible and thus, can't easily be bought and sold or transferred and stored like other assets or products. In fact, it is strongly connected to its holder and his or her intellectual skills which makes its management quite complex (Wilson, 2002).

Knowledge is a powerful mechanism to improve organizational productivity and increase its survival prospects. It is applied in the minds of the knower and only valuable if it is appropriate, accurate, and accessible and its inflows and outflows transfer within MNCs between HQ and Subsidiaries (Argote, 1999).

Hence, from this information, one can surmise as knowledge is not simple; it is a complex asset making it absolutely difficult to capture and understand incomprehensible terms. So that, knowledge is more of an intangible asset; and part of people because it is embedded in their experiences that is obtained from individuals, in groups and in organizational routines (Ibid).

Moreover, it is possible to distinguish between individual knowledge and organizational knowledge, although the latter is made of an assemblage of individual knowledge. Thus, be made available under transmission channels such as books, articles, emails, phone calls and the most traditional way, face to face and person to person (Davenport & Prusak, 1998).

Therefore, knowledge is a competitive advantage for organizations and it only becomes visible when smart and experienced people put into practice lessons learned over time to make business decisions. Knowledge management then gives the benefit of encouraging an organization's members to share knowledge and improves the organization's efficiency, performance and competitiveness in better manageable ways (Shin, 2004).

However, the knowledge transferring in MNCs does not only involve the transfer of the original knowledge between sender and recipient, but it also covers the extent to which the receiver acquires potentially useful knowledge and utilizes this knowledge in its own operations (Minbaeva, Rkman, Fey & Park, 2003).

As argued by Ahammad (2016), MNCs are formed by specialized inter-dependent units of different subsidiaries and each subsidiary can concurrently work as a recipient and a contributor of skill, technique, and knowledge. Knowledge transfer is considered a crucial factor of innovation in MNC (Ahammad, 2016).

Regarding inter-subsidiary relationship, the degree of involvement of the subsidiary in the company network and the internal competitiveness within and across units influences knowledge transfer. A subsidiary relationship is made of interactions formed with external partners. However, each unit is unique and is embedded in its own local context, and integrated in the MNC network (Lee & Wu, 2010).

Accordingly, effective knowledge transfer within and between MNCs is an important antecedent of knowledge creation and innovation. The transfer of knowledge is a process of change and improvement in organizational skills through a better understanding of key processes in MNCs. Knowledge transfer has been conceptualized as a multistage process, including knowledge acquisition and exploitation. Whereas Knowledge acquisition refers to examining know-how from a business partner, but knowledge exploitation is using knowledge to generate new products, product or process improvements, or new skills and capabilities (Adler et. al, 2017).

Recently, attracting Multinational Companies (MNCs) become a significant policy priority mostly in developing countries (Xu, 2000). This is so to reap the positive effects of MNC's presence and hence that such companies have been widely recognized as growth-enhancing factors for host countries. Given these facts, the effects of foreign investment on developing countries are an issue that has been vigorously debated in literature on business and economics (Lall & Narula, 2004).

Certainly, MNCs come with better Firms Specific Assets (FSA) that benefit and boost their competitive advantage over local firms. Fortunately, the benefit of MNCs is not limited to locally-affiliated firms but it can also spread to non-affiliated firms in different ways. There are myriad pieces of evidence that confirm that MNCs can not completely control firm-

specific assets from leakage. The inability of the multinationals to protect the asset is due to several reasons (Ibid).

For example, domestic firms may just imitate the multinationals in terms of products, production techniques, management techniques or marketing practices. Labor may move from multinationals to domestic firms, taking with them the knowledge they acquired. Moreover, domestic firms supplying to or purchasing inputs from multinationals may be exposed to the superior technology and, hence, be able to upgrade their production techniques. Lastly, multinationals may even force domestic suppliers to up-date production techniques to become reliable supplier. All these actions affect the business operation trends of local firms in the host country (Phang & Foong, 2010).

It is apparent that, MNCs has a direct effect such as creation of jobs and injection of capital into the domestic economy. However, what lately attract the attentions of scholars are the unnoticed effects of MNCs that it brings to local firms. MNCs often come with advanced technologies, skills and innovations which may help host country domestic industries catch up with the international business operation frontier. Such effects can be categorized as indirect long term effects' which-in international business literature-referred as the spillover effects. The basic premise underlying the existence of spillovers is that foreign-invested firms are technologically superior and that through their interactions with domestic firms knowledge is transferred, which in turn, leads to productivity and market access spillover (Ibid).

From the developing countries perspective view, given that the MNCs opt to produce in these economies, they are the preferred route and are therefore a prominent channel of technology transfer. For Ethiopia too, MNCs are a more attractive means of developing technology in their industries than is obtaining technical licenses or other sources (Ruggles, 2013).

Therefore, for firms in developing countries, transfer of technologies through cooperation with MNCs is not only easier but also a better learning process than through, for example, imported capital goods. In their early phase of development, they fully acquired technologies from abroad, though not only through MNCs (Ibid).

But now, with their successful ability to master and assimilate foreign technology, they are not only the most advanced economies among the developing world, but also major world suppliers of high-technology goods. For instance, the development of subcontracting linkages between Small and Micro Enterprises and large enterprises, including domestic located

MNCs by imposing a system of protection and local content rules in several industries including machinery, electronics and the automotive industry, as part of import substitution policies (Chin, 2013).

When we come to Ethiopia, the domestic investment in the country has so are since the cease of socialist government and the introduction of liberal policies in 1992. Recently, Ethiopia has been made economic development strategy by emphasizing the structural change particularly by shifting of resources; especially labor, from agriculture sector to industry sector especially manufacturing sector targeting leather and textile industry.

Although agriculture remains an important contributor to Ethiopia's economy, its share of GDP has been steadily decreasing. In 2014 the sector made up 42% of value-add to GDP (down from 52% in 1990), followed by services (42%), and industry (15%) (FDRE MoA, Report, 2014).

As World Bank report (2016), Ethiopia has become a leading recipient of FDI flows to the size of its economy. Triggered by a belief that foreign presence stimulate technology spillover and ease market access, the government adopts a series of measures to attract MNCs (WB Report, 2016).

As a result, the number of MNCs has rapidly increased overtime particularly in recent years; turning Ethiopia in to one of the most attractive investment destinations in the world in general and in the region in particular especially in leather and textile industries. The country is attracting investors with tax incentives, low-cost labor, strategic location for trade, and improved transport infrastructure. Owing to these measures, there is a continuous growth in the MNCs arrival in the country (Ibid).

For example, Foreign Direct Investment (FDI) inflow was over at \$970million in 2013, a significantly higher level than in 2012. In 2014, Ethiopia emerged as the 8th-largest recipient of FDI projects in Africa, up from 14th position in 2013. Some of multinational companies such as Huajian Shoes, Heineken, the Black Stone Group, Etur Textile, the BDL Group, Jiangsu Lianfa Textile Co, Diageo, AB Miller, and Star wood Hotels including East Africa Bottling Share Company (EABSC) and BGI Ethiopia are only few of the MNCs have made significant investment in Ethiopian the last few years (FDRE Industry Ministry, 2017).

The immediate reasons why Ethiopian government invites foreign investors are to increasing employment opportunity and to inject hard currency in the economy. The other equally

important reasons why the government entice MNCs is expectation of positive spillover as multinational enterprises play an important part in transferring production technology and market knowledge across national borders to host countries (Ibid).

However, most foreign investors want to engage in high profit are alike bank and telecommunication than top priority are of the country particularly manufacturing sectors. But, by taking different measures, Ethiopian government expects positive spillover from MNCs to local firms (Ibid).

Accordingly, to create access for local firms to acquiring new technology and administrative know-how the government attracts MNCs. Moreover, MNCs may also introduce the local firms about foreign market operation and share the know-how of export market operation. For instance, in the second Growth and Transformational Plan (GTP II), Ethiopia has given more emphasis to accelerate industrialization by attracting large number of export oriented MNCs particularly in the manufacturing sectors (Seyoum, 2017).

Hence, the aim of this study was exploring the effectiveness of knowledge transfer in Multinational Corporations in Ethiopia manufacturing Companies emphasizing on the selected Companies of BGI Ethiopia and East Africa Bottling Share Company.

1.2. Statement of the Problem

Transferring knowledge from one subsidiary to another subsidiary increases the speed, efficiency, and quality of learning of an organization. Transferring and re-using information from previously learned source can help a company to reduce the cost of learning for a new target task (Chin, 2013).

Executive managers from Canadian top 300 firms and US top 500 firms recognize transferring of knowledge resource as crucial element for sustainable organizational success. As a survey study conducted by Ruggles (2013), eighty-seven percent of the executives in the world defined their organization's business as knowledge-intensive although eighty-percent of the largest companies in the world had implemented knowledge management in their companies (Ruggles, 2013).

This management maybe even more complex when it is been executed in big international entities such as MNCs as they are subjected to the psychic distance. In fact, effective knowledge transfer is vital for those big firms. There is an agreement that knowledge transfer

is complex and intrinsically problematic, either across firms, within regional clusters in a specific geographic location or between subsidiaries within an MNC (Szulanski, 1996).

Becoming an international point of view is, therefore, not as easy as it might appear. In fact, it is a difficult task that involves a number of interdependent technologies, cultures, routines, individuals, and resources linked together. For corporations operating in the broad triad of developed, developing and underdeveloped countries, this is even more challenging (Ibid).

In developing countries, where the industrialization process is heavily based on multinationals, productive globalization implies a deep change in models of operations management adopted by every enterprise, especially MNCs which are the main drivers of that process. In other words, investing in new markets will also involve considering the management style as well as the local culture. As a result of those organizational changes, developing countries will have to adapt to them to keep up economic and social progress (Spletstoeser & Kimaro, 2000). During the knowledge transfer process, general or specific modifications can be made at the recipient unit, such as the break-up of existing routines and/or changes in the organizational culture of such MNC's (Ibid).

So, this might be really critical for an organization as MNC's. Amusingly, no matter how much effort these international firms put into knowledge management, these individuals do not transmit, absorb and use more than half of the knowledge available internally in their organization (Alirie, 2014).

Even though effective knowledge transfer will provide MNCs with greater competitive advantage compared to other companies, there are a few numbers of MNCs in Ethiopia which have started to implement knowledge transfer. MNCs are still limited and lower than expected (FDRE Industry Ministry, 2017). Still today there is very limited previous research on effective knowledge transfer in MNCs based in the Ethiopian context that can transfer knowledge and its management particularly in most manufacturing companies (Ibid).

According to Hansen and Lovas (2004), effective knowledge transfer in MNCs is believed to be determined by the major factors like relational, social capital, cognitive social capital, structural social capital, geographical distance, cultural distance and technological distance.

However, many authors have recently addressed the topic of knowledge management in various areas, but only a few have systematically investigated intra-MNC knowledge transfers. In addition to the title knowledge management is vague and general, the studies

didn't focus on identified factors that determine knowledge transfer. Therefore, this study conducted to examine the impact of these factors on the effectiveness of knowledge transfer in Multinational Corporation in Ethiopia manufacturing Companies emphasizing on BGI Ethiopia and EABSC.

1.3. Objectives of the Study

1.3.1. General objective of the Study

The general objective of this study is to investigate the determinant factors in multinational companies that encourage and enhance the transfer of knowledge between their several business units focused on two selected manufacturing firms BGI Ethiopia and EABSC Companies in Addis Ababa.

Having this general objective, the following specific objectives will guide the research study.

1.3.2. Specific Objective of the Study

- ❖ To assess how a multinational corporations encourage and enhance the transfer of knowledge between the companies HQ and their subsidiaries.
- ❖ To identify the possible barriers might hinder the transfer of knowledge in the study areas.
- ❖ To explain the role of the headquarters in the process of transferring knowledge.
- ❖ To explore the role of the subsidiaries in the transfer of knowledge in the study areas.
- ❖ To identify how knowledge transfer and its key factors are related.

1.4. Research Questions

In order to meet the research objective, the study answered the following specific research questions:

- How multinational corporations encourage and enhance the transfer of knowledge between the companies HQ and their subsidiaries?
- What are the possible barriers might hinder the transfer of knowledge in the study areas?
- What is the role of the headquarters in the process of transferring knowledge?

- What is the role of the subsidiaries in the transfer of knowledge in the study areas?
- How knowledge transfer and its key factors are related?

1.5. Significance of the Study

The study devoted to investigate the effective knowledge transfer in MNCs proposing an efficient transfer of knowledge within several business units in MNCs. Knowledge creation and sharing are some of the most significant sources of knowledge for the competitive advantage of these firms under investigation, and it is crucial to understand the relevance of it. Then, at present to what extent the MNCs are implementing effective knowledge transfer in their firms. So, this study explored how Companies are practicing the basic concepts KT. Further, exploring the applicability of effective KT in such MNCs was in focus.

In sum, the output of this study will benefit the private sectors can draw important concepts and its applicability. It may serve policy-makers; other businessmen as a supporting material; and will benefit the public at larger. In addition, this study may help as a foundation for other researchers who want to conduct further research on this arena for the future.

1.6. Scope of the Study

The scope of this research was delimited to examine the effective transfer of knowledge in MNCs focusing on selected manufacturing companies in Ethiopia particularly at BGI Ethiopia and EABSC. The study was not included other manufacturing companies due to time, geographical and budget constraints. This is in order to manage this study as well.

The scope was delimited on the overall conceptual frame work that revolves around the two most independent and dependent variables. The independent variables are synthesized into six components such as relational social capital, cognitive social capital, and structural social capital, and geographical distance, cultural and technological distance, onto the effective knowledge transfer as dependent variable.

1.7. Limitation of the Study

This study is not totally free of limitations as any other social science research. The researcher faced certain limitations such as during primary data collection. Questionnaires filled by respondents not returned on time. Due to this, it would be laborious to get the necessary and relevant information. It was also difficult to get source documentation in organized manner. The Companies' managerial bodies were busy for interview. Unable to conduct a pilot study was a limitation of the study in its reliability and validity.

1.8. Operational Definition of Key Terms

The following terms will be frequently used in this research study. The terms seem similar, but they have their own meaning. To make their meaning clear the researcher preferred to quote the definition given by the following authors:-

- **Knowledge Transfer:** it is a process of change and improvement in organizational skill through a better understanding of key processes in MNCs; and it has been conceptualized as a multistage process, including knowledge acquisition and knowledge exploitation (Wilson, 2002).
- **Spillover Effects:** MNCs often come with advanced technologies, skills, and innovations which may help host country domestic industries catch up with the international business operation frontier (Phang & Foong, 2010).
- **Knowledge Management:** is a broad concept that to the creation, capture, access, and use of knowledge information to assets for an organization (Wilson, 2002).
- **Knowledge:** is an intangible asset; and it is part of human resources due to the fact that, it is rooted in their experiences, and is acquired from individuals, groups and peoples in organizational practices (Ibid).

1.9. Organization of the Study

The study is presented in five chapters. The first chapter presented the introduction part stating the study background, statement of the problem, research objectives, the research question and hypothesis, significance and scope of the study, limitation of study, defining key terms and organization of the study. The Second chapter deals with review of related literature, theoretical and empirical evidence and developing theoretical framework of the study. Third chapter, research design and methodology Chapter four was represent the research findings and it results, and the last chapter five includes the summary, conclusions and recommendation drawn from this study. Finally, the lists of bibliography, different appendixes were attached to the research paper.

CHAPTER TWO

REVIEW OF RELATED LITERATURES

2.1. Introduction

This chapter devoted to present the existing international, national and regional related literature in the arena of the effectiveness of knowledge transfer in MNC's focused in manufacturing companies. It stressed more reviews of theories by briefing the meaning and concept of knowledge transferring in MNCs. It broadly, presented into various sections sub-sections related to KT and KM theories, and also reviewing certain empirical evidences. The last section presents a conceptual framework for the study.

2.2. Theoretical Review

2.2.1. The Characteristics of MNCs

Refers to the major features of MNC's, companies, especially large international corporations are continuously willing to expand their businesses around the world with the hope of gaining competitive advantage and increased sales. The motivation behind, generally drove by the search for new opportunities such as market development abroad, new markets to increase productivity, proximity to raw materials, new technologies, production efficiency and diversity (Szulanski, 1996).

To keep away from political hurdles such as import quotas, government measures, and trade barriers. The organization's ability to internalize, implement and innovate knowledge across their different subsidiaries is essential for organizations seeking to benefit from opportunities available outside their national boundaries (Chen & Lovvorn, 2011).

Moreover, Dohlman and Halvorson-Quevedo (1997) insist that developing economy countries, for instance, are becoming progressively important because of their potential as markets and as sources of raw materials for production sites. Such firms operating internationally and involved in the cross-border business are considered global companies. One type of global company is MNC (Bartlett & Ghoshal, 1989). Hence, MNCs are international business organizations that build a strong local presence through sensitivity and responsiveness to national differences. Therefore, the countries that they operate in are named as host countries, but are managed from one country known as the home country by headquarters (Ibid).

Alternatively, the branches located in the host country may be known as subsidiaries. They emphasize that MNCs are generally seen as the drivers of globalization while there is an uncertainty that they are global themselves. According to them, most MNCs 'are not global companies, in the sense of having a broad and deep penetration of foreign markets across the world. Hereafter, it is obvious that the deployment of MNCs in foreign environments can be a challenge affecting any business outcomes (Rugman & Verbeke, 2004: p.3)

2.2.2. Impact of Multinational Corporations on Knowledge Transferring

It is clear that, MNCs operate in a complex geographic environment, therefore they are subjected to cultural diversities, geographic distance, political barriers, and time differences, and, in most cases, and the size of the organization itself can be a critical point in knowledge transferring. Building networks in reinforcing organizational ownership is one of the key successes since greater size increases the chances that the piece of knowledge may be present in some other part of the company (Davenport & Prusak, 1998).

However, MNC is as a vehicle for creating and integrating knowledge' across its units in different locations (Lee & Wu, 2010: p.118).

Hence, the argument that the knowledge transferring is important for MNCs as their foreign units' experience situations in their foreign markets highlights that this leveraging can provide new information or knowledge for the organization which can then be implemented in another location within the network. As a result, MNCs can be characterized as knowledge-creating companies which are specialized in the internal transfer of knowledge (Bartlett & Ghoshal, 1989).

2.2.3. Trust and Confidence in Management of Knowledge

For an effective knowledge transfer, it is important to build strong relationships that rely on trust and common interest. Organizations should hire smart people and create time and space to get them to talk to each other (Davenport & Prusak, 1998).

However, if there are no strong trusting ties, knowledge transfer will not improve. One thing should be sure that no relationship can be built if there is no exchange, no dialogue and therefore no trust. In some cases, it takes time to establish a relationship that is based on trust. Relationships are sometimes thus, a prerequisite in acquiring knowledge, learning and solving problems, and a trusting relationship will result in a higher exchange between two units (Levin & Cross, 2004).

In fact, lack of trust is one of those frictions that can inhibit knowledge transfer. People become more comfortable to share knowledge when there is a relationship and trust at the foundation. When they trust each other, they are more willing to share and give useful knowledge, also will have a better absorptive capacity for other knowledge (Levin, 1999).

Similarly, if the source doesn't have trust in the recipient's absorptive capacity in receiving, interpreting and analyzing the piece of knowledge he is transferring, it can slow down the process, because he would like to make sure that his knowledge has been understood and take additional measures if it has not or result in the source not communicating knowledge at all. So the higher the absorptive capacity of the knowledge receiver, the more effectively knowledge is transferred. This is the reason why it takes good leadership and management skills for an effective knowledge transfer (Ordonez, 2004).

2.2.4. Choice of Knowledge Transmission Channels

For effective knowledge transmission, many strategies have been used for knowledge transfer. A lot has been written about the techniques for knowledge transfer. Davenport and Prusak (1998) have listed techniques such as training, workshops, report, liaisons and, channels to enable knowledge transfer in organizations. The difficulty of capturing and transferring knowledge depends on the kind of knowledge involved in the process and the choice of the transfer mechanism will depend on the characteristics of the knowledge (Davenport & Prusak, 1998).

The more tacit and context-specific the acquired knowledge is, the less efficient is the use of written media because it is based on individual experience and involves intangible aspects, tacit knowledge must by definition be impossible to articulate, codify and put into tangible data. While face to face communication is mainly used as the first choice mechanism for tacit knowledge, written media are preferred to carry explicit knowledge (Pedersen et al., 2003).

2.2.5. Knowledge Transfer Control Mechanism

The effectiveness of knowledge transfer in MNCs depends on the factors that facilitate or impede the transfer process. The facilitators and inhibitors of knowledge transfer often represent external causal characteristics to the management of the MNC organization. There is no doubt that an effective knowledge transfer has an impact on financial performance. However, the success or failure of a knowledge transfer can be measurable on the financial bottom line of the MNC subsidiaries involved in the transfer (Chini, 2004).

While, formal evaluation systems related to subsidiary knowledge transfer increases subsidiary willingness to transfer, knowledge management in terms of subsidiary transfer willingness and transfer performance can be fostered and enhanced by the introduction of formal evaluation systems related to knowledge sharing (Ibid).

There are various mechanisms such as special bonus systems and budget evaluation styles are examples of the mechanisms that could encourage subsidiary managers to improve knowledge sharing within their unit. Such performance evaluation systems help to maintain internal consistency and facilitate transfers between different subsidiaries throughout a company network (Ari Elle, 2014).

Furthermore, Taggart and Hood (1999) suggest that, with a formal control mechanism, HQ can control the level at which each subsidiary performs. This does not only enables the HQ to assist units that are under performing but also to identify new competencies and opportunities for the company as a whole. Knowledge control mechanisms are thus valuable to the organization (Taggart & Hood, 1999).

Therefore, any company should have knowledge transfer evaluation systems and knowledge control mechanisms in order to address the required knowledge at the right time and at the right cost.

2.2.5.1. The Roles of Subsidiaries' in MNCs

There are various functional activities in which firms perform and specific functional knowledge is evolved and integrated around these activities. The fact that MNC units are often integrated vertically around the functions that they perform, knowledge transferred internally should be specific and articulable (Minbaeva, 2007).

Also the structural context of subsidiaries varies according to their role in the network. The structural context as a 'set of formal and informal management systems' that establish the relationship of the subsidiary to its HQ and other affiliates. It is then one of the main determinants that shape a subsidiary's mandate (Birkinshaw & Morrison, 1995: p.730). Subsidiaries can thus be set up as:

2.2.5.1.1. No Voice Subsidiary (Contributor or Receptive Subsidiary)

The HQ imposes a role in the unit which is controlled through either a formal or informal control mechanism. They are passively integrated into the global system of operations of the rest of the organization, perform mainly marketing and sales activities and contributors are

mandated to implement approaches, decisions or knowledge innovated in other units There is a high level of interdependence with the HQ and other subsidiaries (Chini, 2004).

2.2.5.1.2. Autonomous Subsidiary (Local Implementer)

The subsidiary decides on its operations and management system. This specific type of unit is independent of the rest of the network in the MNC since it conducts most of the activities in the value chain in a limited geographic scope (Jarillo & Martinez, 1990). Although they have an important responsibility for the development of local know-how in just about all functional areas, in the global integration they can be dependent on the HQ and engage in the whole value chain (Birkinshaw & Morrison, 1995).

2.2.5.1.3. Lead Subsidiary (Strategic Leader)

The subsidiary activities are managed from its site although these activities are integrated into the whole value chain. There is a high knowledge inflow and outflow which implies that it also has the responsibility for knowledge creation (Chini, 2004) that can be used and applied in other units. It is an active player in the competitive strategy of the organization for seeking a strategic asset (Paterson & Brock, 2002).

In fact, because subsidiaries are likely to push for more and unsuitable levels of autonomy, any subsidiaries that have acquired considerable strategic independence in all aspects of their operations are therefore able to exercise considerable intra-firm bargaining power to influence the distribution of the firm's resources. Consequently, sensitive management tools such as formal control mechanisms are required which will enable units to evaluate their contribution to organizational effectiveness (Taggart & Hood, 1999).

To sum up, knowledge transfer presents even better results when each individual or unit shows some positive attitudes towards knowledge sharing in the organization. During the implementation of knowledge transfer from HQ to subsidiaries, workers at a unit may perceive positive or negative changes in the value of applicable knowledge. Thus, understanding and recognizing each other's priorities is one of the key elements to minimize the resistance of change in the process of knowledge transfer (Li & Hsieh, 2009).

2.2.6. HQ and Subsidiaries Communication Flow

The HQ is at the foundations of the MNC. Particularly, in those western countries which have a higher degree of universality, the HQ holds the keys to global marketing, global production and global human-resource management (Trompenaars & Hampden, 1997).

In fact, it is the apex of the organization and every other unit relies on it partially or fully. Ghoshal (1994) urge that, the ultimate responsibility for strategic direction, decision making, and overall coordination rests with the HQ. Therefore in order to be effective when carrying out those responsibilities and coordination tasks, the HQ will have to put in place an effective communication process with each subsidiary based on trust and common ground (Ghoshal et. al., 1994).

However, since some subsidiaries within the MNC have the potential to initiate and develop value-added activities and implement autonomous decision making, it challenges the perception of the HQ as the decision-maker and subsidiaries as passive units following HQ's mandates (Ibid).

Therefore, subsidiaries play an important role in the organizational knowledge creation and utilization cycle. In fact, the relationship between the HQ and the subsidiaries is of more importance to the specific role that the subsidiary plays in the network. This often determines whether the subsidiary has more control over the knowledge and does not simply rely on the HQ. The communication process between the HQ and subsidiaries is significant for organizational effectiveness (Yarberry, 2007: p.80).

To this extent, parent companies should be able to make good use of their organizational knowledge and they play a big role in managing knowledge transfer in the network of inter-units. As a result, effective knowledge transfer management, innovation can occur in diverse subsidiaries globally (Bartlett & Ghoshal, 1989).

2.2.6.1. HQ-Subsidiary Knowledge Flow (Inflow)

This type of knowledge flow is the most traditional in which the subsidiary relies on the HQ and exploits all know-how advantages. Since the ultimate responsibility for strategic decision making and overall coordination rests with the HQ, subsidiaries are initially set up by the parent company with certain goals and objectives to achieve (Paterson & Brock, 2002).

However, it has been identified lateral knowledge flows as beneficial for subsidiaries. Firms will benefit from a reduction in cost by encouraging knowledge development in subsidiaries rather than communicating knowledge across borders, even though knowledge leveraging is important and adds value to organizational competitive advantage. However, subsidiaries benefit from interacting with other units; hence that, a network of lateral flow is a prerequisite to achieving responsiveness and learning in MNCs (Bartlett & Ghoshal, 1989).

2.2.6.2. Subsidiary-HQ Knowledge Flow (Outflow)

Subsidiaries as they develop their competencies, their resources and capabilities may be transferred within the MNC including the HQ and used for further development of combined knowledge and capabilities that 'generate new applications from existing knowledge (Kogut & Zander, 1992: p.391).

However, according to Lee and Wu (2010) suggestions, because of the differences between the HQ and subsidiaries, a successful knowledge transfer between them requires appropriate adjustments to match the environment faced by the subsidiaries. The speed of knowledge transfer is crucial for the success of MNCs. He further commented as, to build or sustain their competitive advantage, such organizations will have to be fast in the process of sharing knowledge. As a result, an MNC that is not capable of quickly transferring new knowledge to its subsidiaries will possibly turn into a source of new ideas for competitors (Lee & Wu, 2010).

2.2.6.3. Inter-Subsidiaries' (Both Inflow and Outflow)

Regarding inter-subsidiary relationship, the degree of involvement of the subsidiary in the company network and the internal competitiveness within and across units influences knowledge transfer. A subsidiary relationship is made of interactions formed with external partners. However, each unit is unique and is embedded in its own local context, and integrated in the MNC network (Lee & Wu, 2010).

Though, to gain competitive advantage MNCs depend on their ability to facilitate and manage the inter-subsidiary transfer of knowledge. As each subsidiary develops its competencies, there is a need to share, adapt and apply those competencies in other geographic areas to maximize competitive advantage. The integration of knowledge development is important as it eliminates duplication of efforts and saves costs (Kogut & Zander, 1993).

However, subsidiaries are often subject to two contradictory forces: the external source of local knowledge and HQ's limited knowledge about its subsidiaries' network. When the HQ has limited knowledge about its subsidiaries' network it can slow down decision making or create hostility to the general or specific changes that are implemented (Chini, 2004).

2.2.7. Overcoming Resistance to Change Management in Inter-units

The concept of change management is a familiar notion in all types of industries. However, how organizations manage and overcome resistance to change is what distinguishes them. However, it is not always easy to implement organizational changes in MNC's. Direct opposition to the change may involve sabotage of the change by delaying its implementation. It may also take the form of direct action such as forming pressure groups or lobbying parliament. What is being observed frequently is that, for example, foreign subsidiaries will pretend to conform to HQ directives (Trompenaars & Hampden, 1997).

In developing countries, where the industrialization process is heavily based on multinationals, productive globalization implies a deep change in models of operations management adopted by every enterprise, especially MNCs which are the main drivers of that process. In other words, investing in new markets will also involve considering the management style as well as the local culture. As a result of those organizational changes, developing countries will have to adapt to them to keep up economic and social progress (Spletstoesser & Kimaro, 2000). During the knowledge transfer process, general or specific modifications can be made at the recipient unit, such as the break-up of existing routines and/or changes in the organizational culture of such MNC's (Ibid).

Generally speaking, during the communication or knowledge transfer process, subsidiaries may be asked to make some modifications to enable improvements. However, in some cases, some resistance may occur and the way the HQ or the sender unit deals with those resistances is vital for an effective knowledge transfer. The extent to which subsidiaries accept modifications, make the transferred knowledge workable and adapt to different situations is also important (Kostova, 1999).

In sum, it can be inferred as an organizational and cultural barrier internal to the MNC's become a prime concern when the firm's management is seeking the most effective use of its intangible knowledge assets. For example, a psychic distance is thus, a mix of cultural, organizational and economical subsets and may impede the knowledge transfer process of MNCs (Buckley & Carter, 1999: p.80).

2.2.8. The Major Effective Knowledge Transfer in MNCs

According to Hansen and Lovas (2004), effective knowledge transfer in MNCs is believed to be determined by the following six major factors such as relational, social capital;

cognitive social capital; structural social capital; geographical distance; cultural distance; and technological distance, this elaborated as below (Hansen & Lovas, 2004):

2.2.8.1. Relational Social Capital

The relational social capital refers to personal relationships as trusts, duties, respects and even friendships, which encourage employees to share their knowledge and enhancing teamwork between employees. Close relationship and trust between headquarter and subsidiary of a MNC is a crucial to improve knowledge acquisition and transfer (Hansen & Lovas, 2004).

Furthermore, the relational dimension of social capital refers to the quality of the relationships among business partners, which could leverage the positive influence on organizational performance of MNCs. Relational social capitals are characterized by friendship and trust among colleagues and business partners, which could provide information and learning benefits. Therefore, MNCs involved in knowledge transfer characterized as a strong relational social capital and are more likely to obtain benefits from working with diverse partners (Sarala et. al., 2016).

2.2.8.2. Cognitive Social Capital

Cognitive social capital refers to the shared interpretations and meanings that present the basis for communication. If the headquarter and subsidiary of a MNC is sharing the same definition of company task description, mission and vision, it will eventually stimulate effective knowledge transfer. Cognitive social capital is mental processes and resulting ideas, which are reinforced by culture, shared norms, values and trust (Adler et. al., 2017).

Thus, cognitive social capital contributes to cooperative behavior in knowledge transfer. Cognitive social capital is related to informal idea contributions from social networks, which also contribute to cross-border cooperation and knowledge transfer (Inkpen & Tsang, 2016).

2.2.8.3. Structural Social-capital

Structural social capital refers to flexible, decentralized, and participative decision making process that allow efficient knowledge transfer between high-level managers and lower-level employees. Structural social capital can create a better social network which eventually, facilitates effective knowledge transfer in MNCs (Olson, Eric, Orville, & Robert, 1995). Such social capital has attracted more attention from due to its greater potential to achieve positive business results such as innovation or economic profitability (Ibid).

However, the previous research studies are inconsistent with the theoretical statement on a positive and strong connection between structural social capital and knowledge acquisition

(Adler et al., 2017). For instance, certain studies indicated that, highly dense structural organizational network is likely to provide similar information, and therefore knowledge acquisition implies obtaining redundant benefits while structural relationships can lead organizations to acquire knowledge more effectively from agents (Szulanski et al., 2016).

2.2.8.4. Geographical Distance

It can be understood as, the greater the geographical distance between QH and Subsidiaries of an MNC, the lesser the knowledge transfers. Geographical distance eliminates opportunities for social interaction. Headquarters and subsidiaries with common interest at a close-distance location enhance the quality of knowledge transfer (Hansen & Lovas, 2004).

Moreover, geographical distance is expected to have significant influence on knowledge transfer effectiveness. In previous studies, geographical distance has been pointed out to prevent collaboration and knowledge sharing among employees (Ahammad et al., 2016).

For example, employees are less likely to interact if geographic distance between them is high, but once an interaction is started, obstacles such as different time zones and long transmission channels limit the effectiveness while the cost and complexity of knowledge search and communication increase following an increase in geographical distance (Inkpen & Tsang, 2016). Thus, local geographical distance makes coordination difficult and may deter transfer of knowledge of MNCs.

2.2.8.5. Cultural Distance

Cultural distance can be defined by the difference in language, interpretation and corporate culture. Cultural distance makes the process of knowledge transfer more complicated and difficult. As national culture encompasses the values, beliefs and assumptions of a group of people, it also shapes the interpretation of messages during knowledge transfer (Lewis, 2006).

So that, communication enable to knowledge to be cultural distances if the two cultures have sufficient commonality, knowledge transfer can be effective. Knowledge transfers across cultural distance require a deep and common ground of understanding between the parties involved. Employees of MNCs involved in knowledge transfer have to bridge diverse backgrounds and misunderstandings resulting from the difficulty to codify and retrieve the key messages that are valuable for the recipients (Reus et al., 2016).

2.2.8.6. Technological Distance

This emphasized the importance of technological processes in transferring knowledge between MNCs' HQ and their subsidiaries. Information technology (IT) is very useful in supporting knowledge transfer of professional and technical knowledge (Phang & Foong, 2010).

Technological distance has significant impact on collaborations among MNCs and its subsidiaries as it influences the effectiveness of knowledge transfer between the affected partners from the perspective of innovation collaboration success or technological spillovers (Sarala et. al., 2016).

But, the influence of technological distance on the success of knowledge transfer is driven by absorptive capacity and knowledge novelty. While absorptive capacity refers to the restricted ability of firms to integrate and use new knowledge due to technological disparity while knowledge novelty refers to the distance to which degree a firm can learn new things from a partner by using new technology (Ibid).

In summing up, knowledge is considered as an asset and often intangible and thus, cannot easily be bought and sold or transferred and stored like other assets or products. In fact, it is strongly connected to its holder and his or her intellectual skills which makes its management quite complex. MNCs are formed by specialized inter-dependent units of different subsidiaries and each subsidiary can concurrently work as a recipient and a contributor of skill, technique, and knowledge. Knowledge transfer is considered a crucial factor of innovation in MNC. Thus, managing knowledge to transfer in order to achieve a successful deployment in the manufacturing companies is significant though the management maybe more complex in big international entities such as MNCs as they are subjected to the psychic distance. Hence, to make knowledge transfer effective, the following issues are more essential.

- **Features of MNC's:** Companies, especially large international corporations which are continuously willing to expand their businesses around the world with the hope of gaining competitive advantage and increased sales.
- **Impact of MNCs on knowledge transfer:** Such companies operate in a complex geographic environment, therefore they are subjected to cultural diversities, geographic distance, political barriers, and time differences, and, in most cases, and the size of the organization itself can be a critical point in knowledge transferring.

- **Trust and Confidence:** In management of knowledge, it is important to build strong relationships that rely on trust and common interest between the companies' hierarchy.
- **Knowledge Transmission Channels:** Many strategies such as training, workshops, report, liaisons and, channels to enable knowledge transfer in organizations.
- **The Roles of Subsidiaries:** There are various functional activities in which firms perform in the knowledge transfer.
- **Communication flow:** The communication process between the HQ and subsidiaries is significant for organizational effectiveness. The ultimate responsibility for strategic direction, decision making, and overall coordination rests with the HQ. Inter-subsidary relationship, the degree of involvement of the subsidiary in the company network and the internal competitiveness within and across units influences knowledge transfer.
- **Resistance to Change:** In knowledge transfer process resistance may occur, so the sender unit must deal with those resistances for an effective knowledge transfer.
- **Key factors of knowledge transfer:** Effective knowledge transfer is determined by the key factors like relational, social capital, cognitive social capital, structural social capital, geographical distance, cultural distance and technological distance.

2.3. Review of Empirical Evidences

As per investigation of Lingling W. (2016). In England on the title of Knowledge Transfer in Multinational Enterprises: Intra-Firm and Inter-Firm Perspectives, MNEs are able to manage the willingness to share knowledge in IJVs, then dealing with it between parent and a subsidiary should be much easier since willingness to share knowledge between partners is more complex than that between parent and subsidiary due to the difference in ownership structure.

According to him, both headquarters and subsidiaries should be willing to share knowledge and learn from each other in order to reach a win-win situation. To improve the effectiveness of knowledge transfer, ways to enhance transmission willingness and absorptive capacity, and cultural factors that influence cross-border communication are explored and discussed.

Major determinants of MNC investment in Kenya are stable and growing economy, the market in Kenya and those of the neighboring countries, political/economic stability, availability of resources and raw materials, human resource availability, entrepreneurial spirit in Kenya, financial systems, strategic infrastructure, economic liberalization, EPZ concessions, Kenya's popularity, and cheap labor (Juliet, 2013).

Cindy Q. et.al. (2016), Conducted a study in USA on research title "The impact of knowledge transfer on MNC subsidiary performance: does cultural distance matter". Up on them little is known about the implications of such transfer on subsidiary performance and the intervening influence of cultural distance despite research on how multinational corporations (MNCs) manage knowledge transfer across national borders. Based on their finding, subsidiaries in the IT industry shows that knowledge transfer is significantly and positively related to subsidiary performance, while cultural distance is significantly and negatively associated with subsidiary performance. In addition, cultural distance moderates the knowledge transfer-sub subsidiary performance relationship. Specifically, cultural distance weakens the positive relationship in knowledge inflows, but enhances the positive relationship in knowledge outflows, and different directions of knowledge transfer, interacting with cultural distance, have varying effects on subsidiary performance.

It has always to be recognized that the human capability to capture and understand complex facts is rooted in a cultural setting and thus tends to differ across cultural areas. Organizational functions which are dependent on the cultural context and have to cooperate across locally dispersed units lend themselves especially well to an investigation of knowledge transfers in MNCs. Beyond the general recognition that cultural differences are likely to impinge on the success of international knowledge transfer, concrete problems emerging in cross-cultural knowledge transfer are rarely addressed in the literature. Current research - discussed in detail in the literature review below indicates the absence of an unifying framework that could serve as a basis for a research agenda on intra-MNC knowledge transfers (Tina, 2004).

Tina C. (2004). Investigated knowledge transfers between dispersed MNC units. The aim was to shed more light on the effectiveness of these transfers. The study focused on lateral and hierarchical knowledge transfers of 162 MNC units (thirty-eight headquarters and 124 subsidiaries). Nine of the major findings are that: The network perspective is applicable to the sampled firms, the majority of units engage either in low inflows and low outflows or high flows in both directions, the formal transmission channels used in hierarchical relations add

considerably to beneficial knowledge transfer, but they do not have a positive impact on the satisfaction with knowledge management. In lateral relationships, formal channels have a negative impact on the benefit of knowledge transfers but a positive impact on satisfaction. While units showing high levels of knowledge outflows were found to develop knowledge management capabilities at a high level, units exhibiting a high level of inflow did not show a positive development. No evidence was found that a high value of knowledge stock supports the development of transfer capabilities. 'Conservative' knowledge management tools such as databases or face-to-face meetings are dominant. Culture was found to be insignificant in all datasets including hierarchical relationships, but showed a positive impact in the lateral sample. Organizational similarity has a highly positive impact on knowledge transfer effectiveness.

In Ethiopian context, a few studies were conducted related to the title of this research. One of the studies was assessment of factors impacting knowledge transfer success in Ethio-telecom held by Digis Weldu in 2018. In doing so, four main factors were identified based on their impacts on project knowledge transfer success in outsourced projects: client factor, vendor factor, knowledge factor and relationship factors. The research results revealed that Ethio telecom has the capability, motivation and commitment to obtain and absorb knowledge from its contracted projects. Vendor related factors such as language fluency, vendor trustworthiness and credibility should be given emphasis in order to successfully transfer knowledge in IS projects. Level of project knowledge complexity, ambiguity, tactless and explicitness were also found to be equally important factors that impact knowledge transfer success. Cultural background and language difference were very important findings that both the vendor and client organizations should emphasize too. However, Factors such as geographical distance and knowledge's tacit behavior did not affect knowledge transfer success in a project environment. Key findings also yielded that identified knowledge transfer success in IS projects were highly impacted by all the client, vendor, knowledge and client-vendor relationship factors. Though the research output showed that Ethio telecom was trying to obtain good knowledge from its projects, the recommendation was Ethio telecom or any other project organization should plan, design, implement, monitor and control knowledge transfer success on their projects in the same way that they plan, design, implement, monitor and control their project undertakings (Digis, 2018).

Lemlem Mekonnen (2017). Investigated a study on the title "The role of knowledge management in enhancing organizational performance; the case of selected international

NGOs operating in at Addis Ababa”. The study revealed the strengths and shortcomings of the current knowledge management components practices in these selected organizations for their better efficiency and success of projects. The medium level of awareness and acceptance of the concept and practice of knowledge management by the employees of these organizations were identified as prospect by the research. In addition, owing to the lack of an overall knowledge management policy or strategy, different organization pursue the practice of knowledge management factors in their own way, with some of them barely making use of the knowledge management component system portal. This situation calls for organizational efforts to reinforce the practice of knowledge management by formulating comprehensive knowledge management policy/strategy compatible with organizational strategy, enhance the level of employee awareness regarding the concepts and benefits of knowledge management, implement formal knowledge management means and relive employees from work burden by reallocating organizational resources so as to enable them to actively take part in knowledge management element activities that improved organizational performance. Besides, rewarding effective organizational knowledge and culture activities and providing with adequate information technology infrastructure to adventure it have also vital contribution for positively effect of organizational performance.

2.4. Research Gap

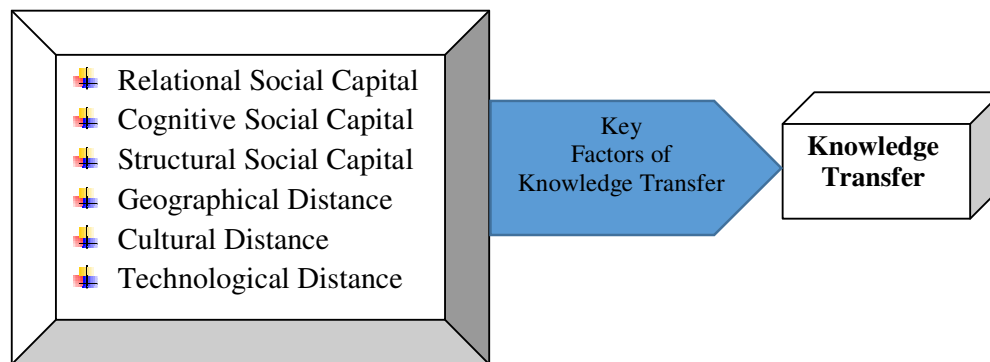
Generally, many authors have recently addressed the topic of knowledge management in various areas, but only a few have systematically investigated intra-MNC knowledge transfers. In addition to the title knowledge management is vague and general, the studies didn't focus on identified factors that determine knowledge transfer.

To this extent, as an infant local industries like BGI Ethiopia and EABSC emerge in Ethiopia, MNCs become more advanced in the adoption and adaptation of knowledge and skill from experience of international companies. But there is evolution of deeper and more reciprocal linkages between MNCs and Subsidiaries with poor transferring of knowledge. That is why this study aimed to examine the impact of identified factors on the effectiveness of knowledge transfer in Multinational Corporation in Ethiopia manufacturing Companies emphasizing on BGI Ethiopia and EABSC. These identified major factors are relational, social capital, cognitive social capital, structural social capital, geographical distance, cultural distance and technological distance.

2.5. Conceptual Framework of the Study

According to Upton, (2001), a conceptual framework can be defined as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a successive study. Therefore, a conceptual framework is a research tool intended to assist a researcher to develop awareness and understanding of the situation under examination and to communicate with a study (Upton, 2001).

Figure 2.1: Conceptual Framework



Source: Adapted and modified (Buckley & Carter, 1999)

Accordingly, to introduce a meaningful and effective transferring knowledge in MNCs at companies, the overall conceptual frame work for this particular research revolves around the two most independent and dependent variables. Because, identifying these variables are important to conceptualize for detail exploring as to how the effectiveness of knowledge transferring in MNCs focusing in two selected manufacturing firm found in Addis Ababa. The independent variables are synthesized into six components such as relational social capital, cognitive social capital, and structural social capital, and geographical distance, cultural and technological distance, onto the effective knowledge transfer as dependent variable.

2.6. Research Hypotheses

Based on the above conceptual framework of the study, the following six hypotheses are formulated.

H1: There is positive and significant relationship between social capital of MNCs and effective knowledge transfer.

H2: There is positive and significant relationship between cognitive social capital of MNCs and effective knowledge transfer.

H3: There is positive and significant relationship between structural social capital of MNCs and effective knowledge transfer.

H4: There is significant relationship between geographical distance of MNCs and effective knowledge transfer.

H5: There is significant relationship between cultural distance of MNCs and effective knowledge transfer.

H6: There is significant relationship between technological distance of MNCs and effective knowledge transfer.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1. Introduction

This Chapter highlights the type of the research methodology; methods of data gathering tools with the justifications for choosing one against the others. Issues how to ensure the reliability and validity are also explained. Ethical consideration within the proposed methods is being put in place briefly.

3.2. Research Design

This Study mainly utilized descriptive research method to identify variables that are considered as problems in the way of knowledge transfer. The researcher also used empirical research design in some extent since observation and document analysis instruments of data gathering were included a little bit in the study. The research covered specific areas as part of its assessment on the effectiveness of knowledge transfer in multinational companies: the case of two manufacturing companies in Ethiopia.

3.3. Research Approach

In this study a mixed research method was employed for collecting, analyzing, and “mixing” both qualitative and quantitative methods in a single study or a series of studies to understand a research problem. The basic assumption is that the uses of both qualitative and quantitative methods, in combination, provide a better understanding of the research problem and question than either methods (Creswell & Plano Clark, 2011).

Mixed methods research combines the approaches by including both quantitative and qualitative data in a single study. The purpose of mixed methods research is to build the synergy and strength that exists between quantitative and qualitative research methods to understand a phenomenon more fully than is possible using either quantitative or qualitative methods alone.

3.3. Data Types and Source

3.3.1. Primary Data Source

The primary data was collected through questionnaire, interview and observation. The major sources of primary data were General Managers (GM), V/mangers, Departments Heads, Supervisors and workers of both Companies.

3.3.2. Secondary Data Sources

The researcher used relevant secondary data sources from documents of the companies like annual reports and other files. Published and unpublished materials i.e. books, previous studies, journals and articles were referred from online websites.

3.4. Population of the Study

The target population is said to be a specified group of people or object for which questions can be asked or observed made to develop required data structures and information. For this study, the target populations were the head quarter of the two selected MNCs (EABC and BGI Ethiopia) and several of their business units. Employees and managers except physical labors of these companies were target population of the study. Thus, target population of the study are 143 employees including managers (general managers and vice managers) of the companies.

3.5. Sampling Techniques and Sample Size Determination

3.5.1. Sampling Techniques

However, there are many MNCs in Ethiopia, the researcher selected East Africa Bottling Share Company (EABC) and Beverage George Industry (BGI) companies using convenience sampling technique since they are easily available and familiar for the researcher.

The researcher also used judgmental sampling technique to select general managers and vice managers of the companies. The reason enforced the researcher to use this technique is the cases to be included in the sample on the basis of my judgment of their role or possession of more experience. In many cases judgmental sampling is used in order to access 'knowledgeable people', i.e. those who have in-depth knowledge about particular issues, maybe by virtue of their professional role, power, access to networks, expertise or experience (Ball 1990).

Another sampling technique employed to select workers of the selected two companies was stratified sampling technique. The target population for the study was classified into three strata based on the management level (by using top mgt, middle level mgt and lower-level mgt as a strata). Then the samples are selected from each stratum according to their proportion to the total population. Since the information required for the study needs different people who have knowledge and awareness about knowledge transfer, stratified sampling technique was essential to take the right proportion of people from every concerned management hierarchy.

Table 3.1: Population Size and Sample Size

No.	Management hierarchy (Stratum)	Population			Sample Size		
		M	F	T	M	F	T
1	Top Management	11	3	14	7	3	10
2	Middle Level Management	29	13	42	23	8	31
3	Lower Level Management	50	33	83	33	29	62
	Total	90	49	139	63	40	103

3.5.2. Sample Size Determination

In order to determine sample size of the employees although tables can provide a useful guide for determining the sample size, the researcher may need to calculate the necessary sample size for a different combination of levels of precision, confidence, and variability. One of the approaches to determining sample size is the application of Yamane's (1967:886) formula.

Therefore, a simplified formula used to calculate sample sizes with a 95% confidence level and $P = 0.5$ for Equation.

$$n = \frac{N}{1 + N(e)^2}$$

Where: n = is the sample size,

N = is the population size, and

e = is the level of precision.

$$n = \frac{158}{1 + 158(0.05)^2} = 103$$

Thus, 103 questionnaires were distributed for workers of the two companies. Beside to that the researcher conducted and gathered data with semi-structured interview from 4 general managers and vice managers of the companies.

3.6. Data Collection Instruments

The researcher gathered data from the selected companies (EABSC and BGI Ethiopia) mainly through four data collecting tools. These instruments were survey questionnaires, semi-structured interview questions, direct observation and document analysis.

Questionnaire

Orodho (2004) defines a questionnaire as an instrument used to gather data, which allows a measurement for or against a particular viewpoint. He emphasizes that a questionnaire has the ability to collect a large amount of information in a reasonably quick space of time. Questionnaires enable the person administering them to explain the purpose of the study and to give meaning of the items that may not be clear. The researcher used questionnaires to collect data from 103 workers of the two companies. The instrument was chosen because the targeted population was considered literate which minimized the interpretation of the questions for their understanding to capture reliable information. The questionnaires were divided into different sections. Part one contained demographic information of the respondents. On the other hand part two contained the questions designed to assess how the multinational company encourages and enhance the transfer of knowledge between its several business units, the possible barriers that hinder the transfer of knowledge, the relationship between HQ and subsidiaries, the role of HQ & the subsidiaries and finally the factors that determine the effectiveness of knowledge transfer. Likert scale was used in questions which were testing on the degree of the respondents' agreement particularly. The respondents were given enough time to answer the questions based on their view at the organization. The

questionnaire had both opened and closed questions. As much as possible, the researcher tried to make the questions very precise so as to made the questionnaire more effective and efficient.

Interview

In addition to the questionnaire more data collected from personal interview. Kerlinger (2003), states that interview is one of the most important sources of data and defines the interview as a two-way conversation that gives the interviewer the opportunity to participate actively in the interview. More people are willing to communicate orally than in writing, this therefore provided data more readily in an interview. The researcher used interview schedules to collect data from two representatives of each company (the main manager and vice manager). The interview schedule was structured based on the research questions of the study. The idea behind the interview just as the case of questionnaire was to link interview with the theoretical frame work.

Observation

One or more persons observe what is occurring in some real - life situation, without asking questions of respondents. Observation method appears to be very valuable instrument in a wide range of research studies. The researcher used direct observation by presenting in the HQ of the companies, but researcher's identity was concealed /nor revealed, so the observation was disguised. This type of observation was preferred to make the data reliable and valid. With the help of relatives in the companies, the researcher observed some departments of the two MNCs for two days in each company.

Document Analysis

Due to the observation schedule, the researcher assessed minutes, suggestion boxes and agendas and other documents of the company aimed to determine whether the employees were satisfied with the induction, socialization and trainings provided by the companies to employees or not. The plan and implementation of HRM department towards updating and upgrading mechanisms were assessed as a secondary data.

3.7. Data Analysis and Interpretation Procedures

The data was analyzed through descriptive ways, and the analysis was based on the responses collected through open-ended survey questionnaires, semi-structured interview, and

secondary documents. Then, data collected through quantitative tools was analyzed by using the Statistical Package of Social Science (SPSS) Version 22, and displayed and illustrated through tabulated, figures (graphic and pie charts), and interpreted with help of percentage, frequency distribution (FD), and rates values, and triangulated with the qualitative data results and findings of the study.

3.8. Reliability and Validity Testing

Validity refers to the degree to which a test measures what it is supposed to measure and, consequently permits appropriate interpretation of scores. Validity is the most fundamental consideration in developing and evaluating tests

The instruments were presented to my advisor in advance to measurement and evaluation for face validation in terms of adequacy of the questionnaire items, suitability of rating scale and terminology. Then the researcher used comments to improve the instruments.

Reliability means dependability or trustworthiness. Reliability is the degree to which a test consistently measures whatever it is measuring. Reliability is expressed numerically, usually as a reliability coefficient, which is obtained by using correlation

In order to establish the reliability of the instruments, the researcher used different source of data in the study and the data can be checked easily. Since the researcher collected data through questionnaire, interview, observation and document analysis, it was easy to cross check the response from the four sources and instruments.

Beside to that, researcher's identity was concealed /nor revealed, and the observation was disguised. This type of observation was preferred to make the data reliable and valid. With the help of relatives in the companies, the researcher observed some departments of the two MNCs for two days in each company. Mainly, HRM department of the companies were observed by the researcher.

3.9. Ethical Consideration

Ethical considerations play a role in all research studies, and all researchers must be aware of and attend to the ethical considerations related to their studies. Therefore, there were a number of ethical considerations made. The first one was asking permission to the companies officially personally by giving letter that was given from the university to encourage voluntary participation of respondents. Responding to interviews and questionnaires required significant time and energy and their participation disrupted the respondents' regular activity.

For this reason, the researcher explained the objectives and significance of the study to the respondents and allow them to exercise their right to voluntary participation.

To avoid any psychological harm, questionnaires are framed in a manner that are not offensive and disturb their personality. The participants' consent was secured ahead of time. Their identities were kept confidential. Questions of deception were not used during the entire data collection process.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1. Introduction

This chapter contains the presentation, analysis and interpretation of data. The descriptive research design was used to draw the results and findings on the effectiveness of knowledge transfer in MNCs. The study focused in two selected manufacturing companies particularly at BGI Ethiopia and EABSC.

4.2. Describing Data Collected

In order to analyze the data for the research results and findings, the quantitative data was analyzed through involving the Statistical Package for Social Science software (SPSS). SPSS

fit with quantitative approach and survey strategy which were adopted in this research. This method has many features and properties which provided appropriate results.

The data was gathered through questionnaire distributed to 103 participants of the study who are workers of the two selected companies, using semi structured interview made with managers of the companies. Beside to that, observation and document analysis instruments had been used to collect data. Hence, the gathered data was analyzed and interpreted in this chapter.

4.3. Demographic Information of the Study Participants

The following table presents the demographic characteristics in terms of age, gender, marital status, educational background and work experiences of participants of the study.

According to the table below, out of the total participants 53 (51.45%) of respondents who were participants of the study were aged under 30 years, this means the majority of employees in the companies are more young. The rest respondents of the study were 33(32.03%), 11(10.67%) and 6(5.82%) whose age was under the range of 31-40, 41-50 and above 50 years respectively. This implies that the majority of employees have no more life experience.

As the table 4.1 below, illustrates that 63 (61.16%) of respondents out of the total 103 participants of the study were male and the rest 40(38.82%) participants were female. This indicates that the most dominants of the study were male respondents. Personal differences including sex in work team may have influence on the perception of individuals towards feedback exchange among team members. The way we provide feedback and our perception of gaining feedback from others may have its impact on knowledge transfer.

Table 4.1: Demographic Information of the Study Participants:

Demographic Information		Frequency	Percentage (%)
Age	Below 30	53	51.45
	31-40	33	32.03
	41-50	11	10.67
	Above 50	6	5.82
	Total	103	100.0
Gender	Male	63	61.16
	Female	40	38.82
	Total	103	100.0
Marital Status	Married	58	56.31
	Unmarried	45	43.68

	Divorced	0	0
	Total	103	100.0
Educational Background	Diploma	2	1.94
	First Degree	76	73.78
	Second Degree	25	24.27
	Total	103	100.0
Experience	< 5 years	37	35.9
	5-10 years	40	38.83
	11-20 years	16	15.53
	> 20 years	10	9.7
	Total	103	100.0

Items of marital status of the respondents, 58 (56.31%) were married while the others 45(43.68%) participants were bachelor or unmarried. Persons who are being couples or those who have family are expected to have interpersonal communication, and this practice may develop their discussion skill, interpersonal conflict resolution, decision making experience and two-way communication skills, so knowledge transfer relates to marital status of a team members in some extent since knowledge transfer is bidirectional.

Based on the above table 4.1, majority or 76(73.78%) of the study respondents are bachelor degree holders in their educational qualification. Because of first degree is now considered as the minimum qualification requirement for jobs in most firms, the companies have good achievement in this regard. Whereas 25 (24.27%) participants are second degree graduated. The remaining 2 (1.94 %) of respondents have diploma educational background. There is no doubt that qualification of employees has great impact on the effectiveness of knowledge transfer between and among the workers.

Regarding to the respondents' experience in their current organization, table 4.1. illustrates that the 77(74.73%) of them are in the range of beginners up to 10 years experienced. Out of 103 respondents, 16(15.53%) and 10 (9.7%) of them have 11-20 and above 20 years job service respectively. This shows that, most of the respondents are junior.

Generally, demographical characteristics of respondents in terms of age, gender, marital status, educational background and job experience have their own impact on the activity of knowledge transfer.

4.4. MNCs' Enhancement effective KT between its business units

The following table presents the practice of MNCs how they enhance the transfer of knowledge between their several business units. Mechanisms of the companies that they are

using to transfer knowledge are illustrated through frequency and percentages in tabulated as below.

Table 4.2: **Current practices of companies in knowledge transfer among their units**

Current practices of the MNC enhance the transfer of knowledge																									
Through workshop by your company					Local training and personal competence development					Communications Flow process					Through informal ways					Other means					
N Valid	103					103					103					103					103				
Missing	0					0					0					0					0				
Mean	1.0874					1.8544					1.5146					1.0485					1.0194				
Mode	1.00					1.00					1.00					1.00					1.00				
Std. Deviation	.34604					1.08833					.83858					.25739					.13866				
Likert Scale	SD	DA	N	A	SA	SD	DA	N	A	SA	SD	DA	N	A	SA	SD	DA	N	A	SA	SD	DA	N	A	SA
Frequency	96	5	2			54	22	18	6	3	68	22	8	5		99	3	1				101	2		
Percentage	93.2	4.9	1.9			52.4	21.4	17.5	5.8	2.9	66	21.4	7.8	4.9		96.1	2.9	1				98.1	1.9		

Participants of the study have rated the companies' current knowledge transferring practices at very low level. Different ways of knowledge transfer ranged from 1.01 to 1.854 mean value and the average score of all activities was 1.305 mean value with 0.534 standard deviation. The mode of each activities were 1.00 (Strongly Disagree or very low). This implied that employees' of the companies' evaluated the contemporary implementation of knowledge transfer as a very low level. The companies' implementation on local training and personal competence development was relatively better followed by communications flow process and workshop.

The interviewees (general managers and vice managers of the two companies) also respond that the trend of their companies prioritized to give local training for the employees in order to transfer knowledge among them. It was identified as one of the first key elements for knowledge internalization enhancement within the company. Company organizes training sessions in its geographical region. The managers explained that local training is the most important to encourages the transfer of knowledge to improve the competences of the employees in a company.

Beside to that the researcher checked in his direct and disguised observation that the communications flow among the employees was very weak, and some employees considered the feedback or comments from their colleagues as a fault finding or criticism. On the other hand, the plan of HRM department and the leaflets that was prepared by the companies show that different topics were identified to give local training for employees. The plans in their parts of situation analysis indicated that there was a knowledge, skill and attitude gap among

employees and between different management levels. Different mechanisms like workshops, seminars, panel discussions and others were designed to reduce the gap of employees' competence; however, the implementation of the companies was limited into local training.

According to Shin (2004), effective knowledge transferring has benefits for enhancing an organization's members to share knowledge and improves the organization's efficiency, performance and competitiveness. But, the difficulty of transferring effective knowledge depends on the kind of knowledge involved in the process and the choice of the transferring mechanism. Techniques like training and workshops are essential to enable organizations transfer and manage knowledge well.

Moreover as interview held with one of VM, it was clearly seen that the importance of providing local training is great to handle cultural and social differences, and to manage geographical distance between the HQ and the foreign units. It is also important to adopt the training contextually.

The respondents believed that there is still a need to have many trained manpower who will be able to deliver the training in their turn for the local people. Thus, this can enhance knowledge transfer by speeding up the level of knowledge flow from the HQ to its subsidiaries.

To this extent, for an effective knowledge transfer in MNCs, it is important to build strong integration between each business units to enhance the transfer of knowledge.

4.5. Relationship between HQ and Subsidiaries Communication in and outflow

As table below shows, the researcher provided a question to the participants to assess whether they agree or not towards the presence of smooth relationship between HQ and Subsidiaries and it leads to a good communication of in and out Flow at their company currently. As per their respond, 25 (24.3%) of them agreed while 41 (39.8%) of the respondents disagree. The rest 37 (35.9%) respondents were neutral. The score of the item was 1.961 mean value with .874 SD. Hence, the result indicated that majority of the respondents were either disagree or neutral about the smoothness of the communication and relationship between HQ and subsidiaries of the companies. The mode of participants' respond about the smoothness of the relationship between HQ and its units was "No".

Table 4.3: Communication in and outflow at the Companies:

Relationship between HQ and Subsidiaries Communication in and outflow responded	Valid	Missing	Yes	No	Undecided	Mean	Mode	Std. Deviation
There is smooth relationship between HQ and Subsidiaries and it leads to a good communication of in and out Flow at your Company today? Do you agree with this statement?	103	0	25	41	37	1.9612	No	.87360

According to Paterson and Brock (2002), the relationship should focus on the streams such as integration of the portfolio of all business units, HQ and subsidiaries to maximize the use of organizational knowledge in the whole company.

The interviewees replied that communication is an important managerial skill to strengthen the relationship of different hierarchical levels. They replied that they had more relationship between managers and subordinates, but there was lack of evidence that shows how managers influence the communication process flow and how each of them played an important role in the processes.

Unlikely to the response of the managers, the researcher observed there was gossiping and rumor among the employees especially about the top and middle managers. The employees criticize one another rather than sharing experience. In addition to that the documents about employees' comments and their complaints reflected that there were problems of good governance in the companies. Thus, if there was smooth communication between managers and employees, complaints would be solved before they applied to HRM department.

In general a good relationship base enhances the knowledge sender's motivational disposition to share and the knowledge receiver's absorptive capacity to receive, understand and interpret the piece of knowledge to build strong relationship and the degree of impact on the communication process of all stakeholders in MNCs at these Companies.

From this information one can infer as, during the communication or knowledge transfer process, subsidiaries may be asked to make some modifications to enable improvements. However, in some cases some resistance may occur and the way the HQ or the sender unit deals with those resistances is vital for an effective knowledge transfer. The transfer of knowledge in and out flow in MNCs certainly requires the need to balance the local

responsiveness and the central coordination or region, since the different subsidiaries may develop their own local standards and may resistance to HQ decisions.

Therefore, most important is the relationship base that links both the knowledge sender and the knowledge receiver. Workers need to feel secure, they have to be able to trust each other and understand each other's priorities and this can only happen with a relationship base. To this end, the extent to which subsidiaries accept make the transferred knowledge workable and adapt to different situations is also important for effective implementation of the transferred knowledge by subsidiaries.

4.6. Major factors of transferring effective knowledge in MNCs at these Companies

This presented that, as to identify whether or not the contributor factors for effective knowledge transfer in MNCs at these Companies that following major factors such as relational, cognitive and structural social capital; and geographical, cultural and technological distance had been elaborated that responded by study participants demonstrated through frequency and in percentages shown as below table.

Table 4.4: Major factors of transferring effective knowledge:

Major factors of transferring effective knowledge in MNCs at these Companies	Valid	Missing	Mean	Mode	Std. Deviation
Is there personal relationships as trusts, respects and friendship in the company	103	0	2.7767	3.00	.98947
Is there shared interpretations and meanings that present the basis for communication	103	0	3.0000	3.00	1.05719
Is there a flexible, decentralized and participative decision making process in the company	103	0	2.8641	4.00	1.23708
Is geographical distance between QH and Subsidiaries of the company short	103	0	3.3398	4.00	1.41804
Is there little cultural difference in the company	103	0	3.0000	2.00	1.51463
There is equal access of technological processes in the company between the HQ and their subsidiaries.	103	0	2.5922	2.00	1.38929

The above table 4.4, demonstrates that regarding to the contributor factors for effective knowledge transfer in MNCs at these Companies. The six factors ranged from 2.592 mean value with 1.389 SD and 3.339 mean value with 1.418 SD. This means unequal access of technological processes in the company between the HQ and their subsidiaries is highly affecting while geographical distance between QH and Subsidiaries of the company is the least factor for knowledge transfer. The average mean of these major factors is 2.928 with 1.268 standard deviation.

The data found in the observation showed that there was moderate personal relationships between employees as respects and friendship in the companies. There was unequal access of resource and technological processes in the company between the HQ and their subsidiaries. Beside to that employees complained that there was not participative decision making process in the company even all employees didn't participate in the planning stage.

According to Sarala et. al. (2016), technological distance has significant impact on collaborations among MNCs and its subsidiaries as it influences the effectiveness of knowledge transfer between the affected partners from the perspective of innovation success or technological spill-over.

This is also confirmed with the interview session held with the VM of the Company that the organization has integrated compatible IT systems to support knowledge transfer and especially the leveraging of projects across all units in the Company. Moreover, he replied that the employees receive training in order to make good use of IT tools that the company IT systems were integrated and compatible to facilitate knowledge flow.

In this technology era, it has been common standard to use IT, database and software applications. A company should fulfill SAP, portfolio project management, business object, storyboard basic, training, global reporting and training materials and global standard workstation tools for training to easily accessible by project. Thus, it is important for both companies to have IT system that enable them easily communicate and support knowledge transferring activities. As demonstrated above technological factors that influence knowledge transfer should take into consideration.

Furthermore among other factors, as depicted by Lewis (2006), culture encompasses the values, beliefs and assumptions of a group of people in MNCs and it also shapes the interpretation of messages during knowledge transfer. As also stated by Reus et. al. (2016), knowledge transfers across cultural distance require a deep and common ground of understanding between the parties involved.

Therefore, employees of MNCs involved in knowledge transfer have to bridge diverse backgrounds, but the misunderstandings resulting from the difficulty to codify and retrieve the key messages that are valuable for the recipients and knowledge transfer can be ineffective.

From the interview with GM, culture was one recurrent factor; it was found that local culture, individual behavior and individual background such as education level, age, gender,

religion, and language were cited as barriers to knowledge sharing by each of the participants to a certain extent in the Company. He asserted that, these factors needed to be considered in the cultural mix if knowledge transferring was to be effective in their Company.

From the above information one can infer as, culture may hinder communication and thus knowledge transfer effectiveness. The fact that, when working in an MNC, people do not quickly accept when things are not aligned with their cultural style and mentality and those specific things have to be adapted. Especially when having specific mentalities and cultural differences.

Because if we are not respecting a specific culture of a specific geography for example then the buy in might drop from one second to the next. So that cultural diversity was found to be partly behind people's interactional conflicts. However, all participants highlighted that the organization has put norms in place to help people to be aware of those differences in their Company.

To sum up, organization mainly composed of individuals from different geographic areas, Companies stakeholders should encourage respect, politeness and trust between members. Another good way to prevent cross-cultural issues arising and actually getting people to learn about other cultures in the company is to rotate expatriates around the globe. That way they are exposed to other ways of doing things and beliefs which can foster tolerance further effective knowledge transfer in MNCs.

The other factor is the geographical distances, the greater the geographical distance between QH and Subsidiaries of MNC, the lesser the knowledge transfers, because headquarters and subsidiaries with common interest at a close-distance location enhance the quality of knowledge transfer (Hansen & Lovas, 2004), but local geographical distance makes coordination difficult and may discourage transfer of effective knowledge of MNCs.

However, in some cases it might be a little bit different, just because there is distance between HQ, subsidiaries and units. It is easier when team sits together, mostly it is going to be a little bit more difficult because HQ, subsidiaries and units spread out, but the geographical factors play a big role in those areas in making sure that there is consistency and placed to go for coaching them by HQ.

As forwarded by Olson, et. al. (1995), structural social capital can create a better social network which eventually, facilitates effective knowledge transfer in MNCs. It has attracted

more attention due to its greater potential to achieve positive business results such as innovation or economic profitability.

This is also indicated through interview session that there is highly dense structural organizational societal structure in the Company having diversified background that can provide at least similar information, therefore, knowledge acquisition may obtained can lead organizations to acquire knowledge more effectively from those bodies. Consequently, it should be decentralized, and participative in nature that allows efficient knowledge transfer even between high-level managers and lower-level employees in MNCs.

However, cognitive social capital is related to informal idea contributions from social networks in MNCs, which also contribute to cross-border cooperation and knowledge transfer. It is mental processes and resulting ideas, which are reinforced by culture, shared norms, values and trust in such MNCs.

Conferring to, Hansen and Lovas (2004), close relationship and trust between headquarter and subsidiary of an MNC is a crucial to improve knowledge acquisition and transfer. The interview held with key informants revealed that there is a strong relationship between HQ and subsidiaries as well as company's employees that increase working environment conducive in such MNCs and diverse partners that provided the effective transfer of knowledge in the Company.

Therefore, the quality of the relationships among business partners, which could leverage the positive influence on organizational performance in MNCs are, the friendship and trust among colleagues and business partners, which could provide information and learning benefits.

To generalize the above information, the effectiveness of knowledge transfer in MNCs depends on the factors that facilitate or impede the transfer process. The facilitators and inhibitors of knowledge transfer often represent external causal characteristics to the management of the MNC organization. The success or failure of a knowledge transfer can be measurable on the performances of each stakeholder's bottom line of the MNC subsidiaries involved in the transfer of knowledge and its management properly.

4.7. Barriers hinder the transfer of knowledge at the Companies

The following table shows barriers and the extent how they hinder the transfer of knowledge in the companies.

Table 4.5: Barriers hinder the transfer of knowledge in MNCs at study areas:

Barriers might hinder the transfer of knowledge in MNCs responded	Valid	Missing	Mean	Mode	Std. Deviation
Uncommon interest and individual behavior factor	103	0	1.0583	1.00	.235
Lack of local trainers and poor team members	103	0	1.0874	1.00	.284
Political and technological barriers	103	0	1.3301	1.00	.512
Inflow and outflow of communication barriers	103	0	1.5243	1.00	.608
Lack of good leadership and management skills	103	0	1.0194	1.00	.139
Time and resources cost of investment, etc.	103	0	1.0388	1.00	.194
Others	103	0	1.0194	1.00	.139
Average	103	0	1.154	1.00	.302

The above table demonstrated the barriers that hindering effective transfer of knowledge in the selected companies. As per the result of the analysis, the barriers were ranged from 1.019 mean with 0.139 SD to 1.524 mean value with 0.608 SD. Inflow and outflow of communication barriers was the greatest facto followed by Lack of local trainers and poor team members and uncommon interest and individual behavior factor. The average mean value of the barriers was 1.154 with 0.302 standard deviation.

As argued by Davenport & Prusak (1998), it is clear that MNCs operate in a complex geographic environment, so they are subject to cultural diversities, geographic distance, political barriers and time differences, and in most cases the size of the organization itself can be a critical point in knowledge transferring effectively.

As the information obtained though interview held with the companies' managers, leadership and managerial skills, organizational and individual benefits mentoring and coaching are also major factors in MNCs. According to them, the organizations practices day and night, but their effort is not as such enough to bring effective knowledge transferring mechanism as expected. The managers assumed that good leadership and management skills is measured when knowledge has been communicated between and among the company units. Therefore, strong managerial leadership and a foundation of trust can contribute to effective knowledge transfer in MNCs.

This implies that enhancing knowledge transfer effectively, sharing employees' implicit and explicit knowledge skills and attitude which are identified as best practices should be taken into accounts by the companies to bring effective knowledge transfer.

In addition to that, using both local trainers and global expertise is essential to balance between adaptation and standardization in the aspect of knowledge absorption. Adapting

information and knowledge to the local context during training and project execution is one key for success. Companies should come up with strategies to overcome resistance of change which is a challenge while knowledge flows within an organization especially in MNCs whose employees and subsidiaries have diversity, and those are separated geographically.

Generally, the transfer of knowledge becomes difficult to manage when there is a distance between units of a company. A mix of cultural, organizational and economical issues may hinder the knowledge transfer process of MNCs. Opportunely, the use of IT systems supports the companies in the transfer of explicit knowledge transfer and tacit knowledge in some extent. Hence, these identified barriers are internalized by the firms as a prime concern. The firm’s management is seeking the most effective utilization of knowledge which is its intangible assets.

4.8. Role of the HQ in the process of transferring effective knowledge

The following table presented that, the participants responses’ on the role of the headquarters in the process of transferring effective knowledge in MNCs at these areas as demonstrated in the table below.

As the table below shows, the researcher provided a question to the participants to assess whether the **Head Quarter** in their company effectively play the transfer of knowledge in the multinational corporation to improve its current productivity to be competitive or not. As per their respond, 44 (42.7%) of them replied by saying “Yes” while 29 (28.1%) of the respondents replied by saying “No”. The rest 30 (29.1%) respondents were neutral. The score of the item was 1.864 mean value with .841 standard deviation. Hence, the result indicated that majority of the respondents were either disagree or neutral about the effectiveness of the companies’ headquarters in playing their roles in transferring knowledge. The mode of participants’ respond on the item was “Yes”.

Table 4.6: Role of HQ in the process of transferring knowledge in MNCs:

The role of headquarter towards the process of transferring knowledge in the company.	Valid	Missing	Yes	No	Undecided	Mean	Mode	Std. Deviation
Is the Head Quarter in your company effectively play the transfer of knowledge in the Multinational Corporation to improve its current productivity to be competitive?	103	0	44	29	30	1.864	Yes	.841

The interviewees replied that they believe the ultimate responsibility of HQ is being a top decision-making bodies and acting as overall coordinator; however, some subsidiaries within the MNCs have the potential to initiate and implement autonomous decision making. They said that there is a challenge on the perception of the HQ as the decision maker and subsidiaries as passive units. The HQ's mandates should be determined by all concerning bodies in MNCs.

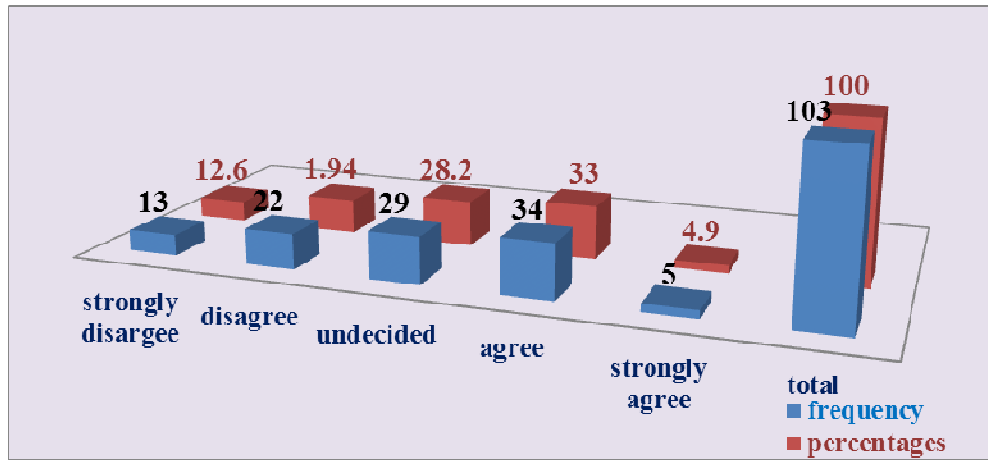
According to Bartlett & Ghoshal (1989), HQ should be able to make good transferring of their organizational knowledge and they play a big role in managing knowledge transfer in the network of inter-units effectively. As a result of this effective knowledge transfer, innovation that can promote the companies to be competitive firms at a global wide can be occurred in diverse subsidiaries.

An effective knowledge transfer will be brought when every individual or unit shows some positive attitude towards knowledge sharing in the organization. Understanding and recognizing strength is one of the key elements. During the implementation of knowledge transfer from HQ to subsidiaries and to workers at a unit may have changes from the statuesque, and its consequence may bring positive or negative conflict. But, conflict is an evitable, and it the positive conflict leads to success. Hence, the HQ is the foundations for the MNCs in acting as a bridge in knowledge transfer.

4.9. Role of the subsidiaries in the transfer of effective knowledge

The role of the subsidiaries in the process of effective knowledge transfer in companies identified through frequency and percentage as stated in the following figure. It is rated by respondents using five Likert scale from strongly dis-agree to agree.

Figure 4.1: Role of the subsidiaries for effective transferring knowledge



The above figure 4.1. shows the witness of respondents how the subsidiaries take their role in the process of effective knowledge transfer in MNCs. Out of 103 respondents, 34 (33%) of them agree and 5 (4.9%) of them strongly agree that the subsidiaries are fulfilling their role. On the contrary, 2 (1.94%) of the respondents dis-agree and 13 (12.6%) of them strongly-disagree on the subsidiaries role taking. The rest 29 (28.2%) respondents don't decided or neutral. This implied the majority of respondents confirmed that the subsidiaries have not been taking their role in the process of effective knowledge transfer in the companies.

Oppositely to the data from the questionnaire, information gained from interview session held with company managers show that subsidiary activities are managed and integrated into the whole value chain of the company. There is a high knowledge inflow and outflow that can be used and applied in the units. They replied as the subsidiaries are being active player in the competitive strategy of the organization for seeking a strategic asset in MNCs. Thus, the data gathered from the two sources is clashed.

Despite the fact is that, subsidiaries have an important responsibility for the development of local know-how in just about all functional areas. In the global integration, they should not be dependent on the HQ rather they have to engage in the whole value chain (Birkinshaw & Morrison, 1995).

Therefore, subsidiaries should play an important role in the organizational knowledge creation and utilization cycle. In fact, the relationship between the HQ and the subsidiaries is more importance to work in harmony. This often indicates whether the subsidiary has more control over the knowledge or they simply rely on the HQ. The communication process between the HQ and subsidiaries is significant for organizational effectiveness in MNCs.

Generally, parent companies should be able to make good use of their organizational knowledge and they must play great role in managing knowledge transfer in the network of inter-units. Effective knowledge transfer leads to innovation in diverse subsidiaries.

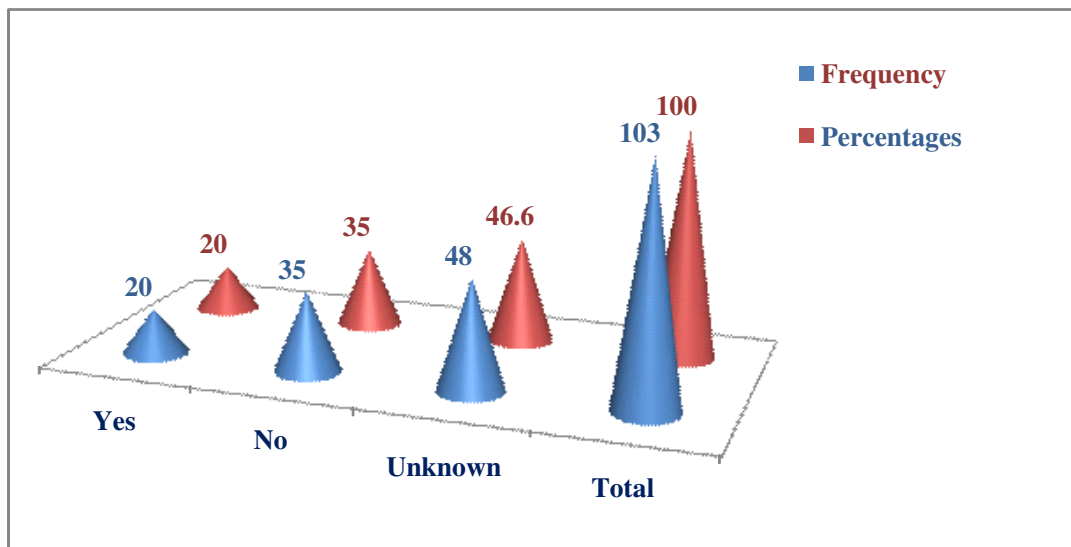
4.10. Companies' efficiently transfer knowledge between businesses units in MNCs

The next figure 4.2 offered in what extent knowledge is being transferred efficiently between each businesses units in MNCs. The respondents replied the current level of knowledge transfer in their company through yes or no answers as follows.

According to the data gathered from questionnaire, out of 103 participants 20 (20%) of them respond "Yes", 35 (35%) of the respondents said "No" whereas the rest majority 48 (46.6%) of respondents replied that the issue is unknown for them. Since 83 (80%) of the respondents confirmed that they don't know and there is not effective knowledge transfer in their companies, it implied that there is a problem.

According to Lee and Wu (2010), the degree of involvement of the subsidiary in the internal competitiveness within and across units influences effective knowledge transfer. Subsidiary interference is made of relationships formed with external partners; however, each unit is unique and is embedded in its own local context and integrated in the MNC at organization.

Figure 4.2: Efficiently transfer knowledge between each business units'



During the knowledge transfer process, general or specific modifications can be made at the recipient unit like break-up of existing routines or changes in the organizational culture.

Subsidiaries may be asked to make some modifications for improvements. In some cases, some resistance may be occurred though the HQ or the sender unit deals with those resistant for an effective knowledge transfer. The extent to which subsidiaries accept modifications makes the transferred knowledge workable and adapt to different situations.

Actually, it is necessary for the HQ to make sure that the knowledge has been properly transferred and that the changes are implemented; however, change management is not an easy task because resistance to change is 'powerful. Even a particular change makes sense because of human being is hardly wholly rational creatures.

This shows that the effectiveness of knowledge transfer in MNCs depends on the mechanisms that facilitate or the factors that impede the transfer process. The facilitators or inhibitors of knowledge transfer often represent external causal characteristics to the management of the MNCs that should be considered by these companies.

4.11. Hypothesis Testing

The researcher tried to see the correlation of the independent variables and the dependent variable. Correlation refers to a quantitative measure of the degree of correspondence. The degree to which two variables are related is expressed as a correlation coefficient, which is a number between -1.00 and +1.00.

- Two variables that are not related have a correlation coefficient near .00
- Two variables that are highly correlated will have a correlation coefficient near -1.00 or +1.00.
- A number near +1.00 indicates a positive correlation: as one variable increases, the other variable also increases.
- A number near -1.00 indicates a negative correlation: as one variable increases the other decreases.

The two most frequently used correlational analyses are the product moment correlation coefficient, the Pearson r , and the rank difference correlation coefficient, usually referred to as the Spearman ρ . The Pearson r is most appropriate when the variables to be correlated are expressed as either interval or ratio data. The Spearman ρ is used to correlate ranked or ordinal data.

The Spearman correlation and Pearson correlation are similar in the way that they use different measurements to calculate the strength of association. Pearson correlation require

continuous level of data (interval or ratio) while Spearman correlation uses differences in ranks. Because of the questionnaire was prepared using Linker scale (strongly disagree, agree, undecided, agree and strongly agree), the data gathered was ordinal. Thus, the researcher used the Spearman Rho to test the hypothesis and correlation of the variables.

Table 4.7: Correlation of variables and hypothesis testing:

			Correlations						
			KT	RSC	CSC	SSC	GD	CD	TD
Spearman's rho	KT	Correlation Coefficient	1.000						
		Sig. (2-tailed)	.						
	RSC	Correlation Coefficient	.605**	1.000					
		Sig. (2-tailed)	.000	.					
	CSC	Correlation Coefficient	.702**	.540**	1.000				
		Sig. (2-tailed)	.000	.000	.				
	SSC	Correlation Coefficient	.640**	.883**	.602**	1.000			
		Sig. (2-tailed)	.000	.000	.000	.			
	GD	Correlation Coefficient	.711**	.588**	.921**	.671**	1.000		
		Sig. (2-tailed)	.000	.000	.000	.000	.		
	CD	Correlation Coefficient	.509**	.883**	.583**	.906**	.656**	1.000	
		Sig. (2-tailed)	.000	.000	.000	.000	.000	.	
	TD	Correlation Coefficient	.564**	.930**	.534**	.913**	.601**	.944**	1.000
		Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.

** . Correlation is significant at the 0.01 level (2-tailed).

Setting the significance level (.01 or .05) is used to accept or reject the null hypothesis. If the .01 level is achieved (p is equal to or less than .01), then a researcher rejects the H_0 and accepts the H_1 . If the .01 significance level is not achieved, then the H_0 is retained (not rejected).

The null hypothesis which is a statement about a status quo is:

H_0 : There is no significant relationship between these independent variables and knowledge transfer (DV).

Alternative hypothesis are the opposite of the null hypothesis and they are the research hypothesis or what a researcher wants to investigate. Thus, the following are alternative hypotheses of the study.

H1: The greater the relational social capital between subsidiaries and parent companies, the more effective the knowledge transfer in MNCs.

As indicated in the Table 4.6, relational social capital had high and significant Positive relationship with Knowledge transfer ($r = .605$, $n = 103$, $p < .01$). Since there is positive relationship between the two variables, the dependent variable (Knowledge Transfer) increases when relational social capital (IV) increases. Because of the P-value .000 which is

less than the significance level of .01, the null hypothesis (H_0) "There is no significant relationship between the independent variables and dependent variables" is failed to be accepted rather the alternative hypothesis is accepted.

H2: The greater the cognitive social capital between subsidiaries and parent companies, the more effective the knowledge transfer in MNCs.

The relationship between cognitive social capital and Knowledge transfer ($r = .702$, $n = 103$, $p < .01$) is also positive. Since there is positive relationship between the two variables, the dependent variable (Knowledge Transfer) increases when cognitive social capital (IV) increases. Because of the P-value .000 which is less than the significance level of .01, the null hypothesis (H_0) "There is no significant relationship between the independent variables and dependent variables" is failed to be accepted rather the alternative hypothesis is accepted.

H3: The greater the structural social capital between subsidiaries and parent companies, the more effective the knowledge transfer in MNCs.

There is highly positive relationship between structural social capital and Knowledge transfer ($r = .640$, $n = 103$, $p < .01$). Since there is positive relationship between the two variables, the dependent variable (Knowledge Transfer) increases when structural social capital (IV) increases. Because of the P-value .000 which is less than the significance level of .01, the null hypothesis (H_0) "There is no significant relationship between the independent variables and dependent variables" is failed to be accepted rather the alternative hypothesis is accepted.

H4: The smaller the geographical distance between parent and subsidiaries, the more effective the knowledge transfer in MNCs.

The geographical distance between parent and subsidiaries has significant relationship with Knowledge transfer ($r = .711$, $n = 103$, $p < .01$) with P-value .000. Since the P-value is less than the significance level of .01, the null hypothesis (H_0) "There is no significant relationship between the independent variables and dependent variables" is failed to be accepted rather the alternative hypothesis is accepted.

H5: The smaller the cultural difference between parent and subsidiaries, the more effective the knowledge transfer in MNCs.

The cultural difference between parent and subsidiaries has also significant relationship with Knowledge transfer ($r = .509$, $n = 103$, $p < .01$) with P-value .000; however, it has less result

relatively to other variables. Since the P-value is less than the significance level of .01, the null hypothesis (H_0) “There is no significant relationship between the independent variables and dependent variables” is failed to be accepted rather the alternative hypothesis is accepted.

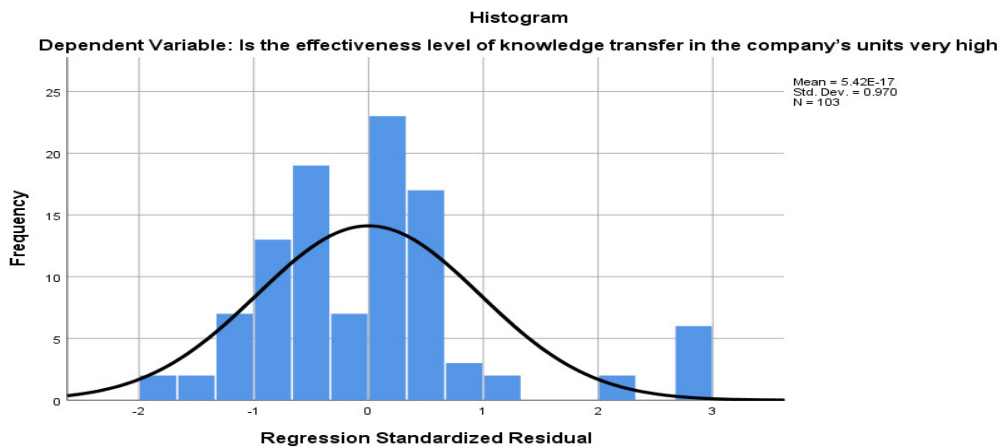
H6: The smaller the technological distance between parent and subsidiaries, the more effective the knowledge transfer in MNCs.

Based on the above table 4.6, technological distance between parent and subsidiaries has significant relationship with Knowledge transfer ($r = .564$, $n = 103$, $p < .01$) with P-value .000 similarly to other variables. Since the P-value is less than the significance level of .01, the null hypothesis (H_0) “There is no significant relationship between the independent variables and dependent variables” is failed to be accepted rather the alternative hypothesis is accepted.

Normality Test

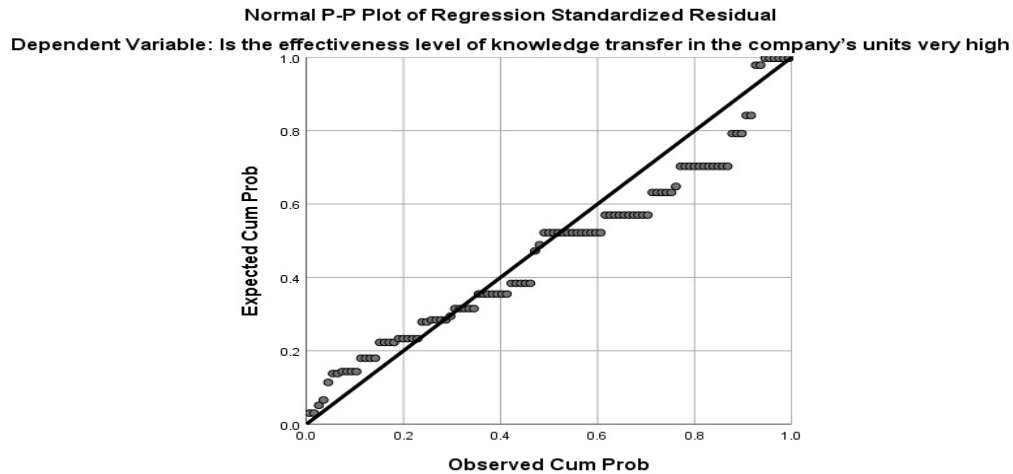
In statistics, normality tests are used to determine if a data set is well-modeled by a normal distribution and to compute how likely it is for a random variable underlying the data set to be normality distributed. Correlation test require the independent variables to be normally distributed. If the underlying distribution of the data is normal, the points will fall along a straight line. Deviations from this line correspond to various types of non-normality. Stragglers at either end of the normal probability plot indicate outliers. Curvature at both ends of the plot indicates long or short distribution tails. Convex, or concave, curvature indicates a lack of symmetry. Gaps, plateaus, or segmentation in the plot indicate certain phenomenon that needs closer scrutiny.

Figure 4.3: histogram



The Normal PP plot, the above histogram shows a normal distribution. A normal distribution is not skewed. Skewness measures the extent to which a distribution is not symmetric about its mean value and kurtosis measures how far the tails of the distribution are.

Figure 4.4: Normality Test



The researcher has conducted basic assumption test for the model which is linearity of the relationship between the independent and dependent variables. Linearity assumption for computing multiple regressions is test of the linearity of the relationships between dependent and the independent variables. As depicted in the above scatter the visual inspections of the scatter plot shows there exists a linear relationship between knowledge transfer and its key factors.

ANOVA

Table 4.8: ANOVA Model fit

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	105.007	6	17.501	38.470	.000 ^b
	Residual	43.673	96	.455		
	Total	148.680	102			

a. Dependent Variable: Effectiveness of knowledge transfer

b. Predictors: (Constant), Relational Social Capital, Cognitive Social Capital, Structural Social Capital, Geographical distance, Cultural Distance and Technological Distance

The regression model overall fit can be examined with the help of ANOVA. Base on table below shows that the value of R2 found from the model summary is (F=38.470), (P<0.001).

This indicates that over all, the regression model statistically significantly predicts the outcome variable of customers' satisfaction.

Multi – Collinearity Test

Multicollinearity means that some of the explanatory variables are not independent but are correlated. When independent variables are highly correlated in the model, the results from t-test and F test may contradict each other and the parameter estimates may have opposite signs from what are expected; affected coefficients may fail to attain statistical significance due to low t-statistics and sign reversal might exist. It becomes difficult to assign the change in the dependent variable precisely to one or the other of the explanatory variables. It is, therefore, advisable that when the model has several explanatory variables the regression analysis should commence with first calculating the coefficient of correlation between each pair of independent variables to be included in the model. If one or more correlation coefficients are close to 1 or -1, the variables are highly correlated and a severe multicollinearity problem may exist and it is necessary to remove one of the correlated independent variable.

Table 4.9: Multi – Collinearity Test

Key Factors of KT	Variance Proportions						
	Knowledge Transfer	Relational Social Capital	Cognitive Social Capital	Structural Social Capital	Geographical distance	Cultural Distance	Technological Distance
Knowledge Transfer	.00	.00	.00	.00	.00	.00	.00
Relational Social Capital	.13	.03	.00	.00	.00	.02	.03
Cognitive Social Capital	.39	.04	.01	.00	.06	.00	.01
Structural Social Capital	.15	.05	.48	.14	.00	.19	.04
Geographical distance	.20	.21	.21	.48	.02	.02	.12
Cultural Distance	.04	.52	.14	.36	.47	.16	.13
Technological Distance	.09	.15	.16	.01	.45	.62	.67

Dependent Variable: Is the effectiveness level of knowledge transfer in the company's units very high

As shown in correlation matrix table, cognitive social capital, geographical distance and structural social capital have high correlation with knowledge transfer respect to their order. Structural social capital with cognitive social capital, cultural distance and geographical distance; Cultural distance with relational social capital, technological distance and Geographical distance; Technological Distance with Geographical distance have high correlation.

CHAPTER FIVE

SUMMARY OF THE MAJOR FINDINGS, CONCLUSION AND RECOMMENDATION

This is the final chapter of the study which summaries the findings of the study, and it contains the conclusions based up on the findings. Lastly, the recommendations are forwarded in order to enhance the effectiveness of knowledge transfer.

5.1. Summary of the Major Findings

The data was gathered through questionnaire distributed to 103 participants of the study who are workers of the two selected companies, using semi structured interview made with managers of the companies. Beside to that, observation and document analysis instruments had been used to collect data. Hence, based on the gathered, analyzed and interpreted data in chapter four, the findings of the study are summarized as follows.

- ✚ The trend of the companies in knowledge transfer depends on the local training and personal competence development activities.
- ✚ According to the information gathered, there is no a sound relationship between HQ and subsidiaries.
- ✚ Regarding to the factors affecting the effectiveness of knowledge transfer in companies, technological distance was a major factors. The inflow and outflow of communication was also the fundamental barriers.
- ✚ Regarding to the role of HQ in the process of effective knowledge transfer in their company was very low.
- ✚ The subsidiaries take their role in the process of effective knowledge transfer in the company is not as enough as expected.
- ✚ 83 (80%) of the respondents confirmed that they don't know and there is not effective knowledge transfer in their companies, it implied that there is a problem.
- ✚ The value of the correlation coefficient of each variable is positive, and the variables have a correlation coefficient near + 1. This implies that there is high relationship between the independent and dependent variables. The positive sign shows when an independent variable increase, the dependent variable (Knowledge Transfer) also increases. In addition to that, P-value of each variable is .000 which is less than the

significance level of .01, so the null hypothesis (H_0) “There is no significant relationship between the independent variables and dependent variables” is failed to be accepted rather the alternative hypothesis are accepted.

5.2. Conclusions

Based on the findings of the study the following conclusions are drawn:

Demographical characteristics of respondents in terms of age, gender, marital status, educational background and job experience have their own impact directly or indirectly on the activity of knowledge transfer. The majority of employees have no more life experience since they are young; the gender of the participants in a team influenced feedback seeking behavior in knowledge transfer. Persons who are married develop their discussion skill, interpersonal conflict resolution, decision making experience and two-way communication skills. The companies have good achievement regarding to employees’ educational qualification since majority of workers have first degree which is considered as the minimum qualification requirement for jobs in most firms. Though most of the respondents are junior, the companies don’t use any mechanism to transfer the knowledge from the seniors to junior and the vice versa.

Though techniques like training and workshops are essential to enable organizations transfer and manage knowledge well, managers of the selected companies believed that local training is the most important to encourage the transfer of knowledge and to improve the competences of the employees in a company.

Lack of sound relationship between the HQ and subsidiaries is one problem of the companies and it is not only the factor of knowledge transfer but also for any collaboration work. The relationship should focuses on the streams such as integration of the portfolio of all business units, HQ and subsidiaries to maximize the use of organizational knowledge in the whole company.

Technological distance which is another major problem of the companies has significant impact on collaborations among MNCs and their subsidiaries as it influences the effectiveness of knowledge transfer between the affected partners from the perspective of innovation success or technological spill-overs.

However, lack of sound relationship and technological distance are major problems of the companies, it is clear that MNCs operate in a complex geographic environment, so they are subject to cultural diversities, geographic distance, political barriers and time differences, and

in most cases the size of the organization itself can be a critical point in knowledge transferring effectively.

Despite the current experience of the companies show the role ambiguity between the HQ and the subsidiaries, both of them have their own role in the aspect of knowledge transfer. But in these companies, subsidiaries have not been taking their role in the process of effective knowledge transfer in the companies, there is not effective knowledge transfer in their companies since the HQs are not able to make good transferring of their organizational knowledge and they don't play their role in managing knowledge transfer in the network of inter-units effectively.

5.3. Recommendations

On the basis of the findings obtained and the conclusions drawn above, the following recommendations are forwarded as suggested solution for the effectiveness of knowledge transfer among several business units of the companies.

- To minimize the personality gap which is created by demographic characteristic differences of the employees, an effort might be needed from the companies in tasks of induction, experience sharing, mentoring and activities of training and development in order to manage knowledge, skills, and attitude of the workers.
- As revealed from the study, it was observed that workers' motivation to share their ability and to learn others' knowledge, skill and attitude depends on the type of knowledge transfer mechanisms. There is no one mechanism that fits in every situation. Thus, a company shall conduct need assessment of the employees in order to adopt better mechanism to address all workers in effective knowledge transfer.
- The relationship between the HQ and subsidiaries should focus on the streams such as integration of the portfolio of all business units to maximize the use of organizational knowledge in the whole company.
- Since technological distance has significant impact on collaborations among subsidiaries of the companies, it needs high consideration of the company managers for its contribution towards effectiveness of knowledge transfer.
- Because of MNCs operate in a complex geographic environment, they are subject to cultural diversities, geographic distance, political barriers, time differences and the size

of the organization itself. Thus, the companies shall minimize the gaps in order to enhance the effectiveness of knowledge transfer.

- HQs of the companies should be able to manage their organizational knowledge and they have a big role in managing knowledge transfer in the network of inter-units effectively. When the HQ utilizes knowledge transfer effectively, it leads the companies towards innovation that can promote them to be competitive firms at a global wide can be occurred in diverse subsidiaries.
- Subsidiaries should not be dependent on the HQ rather they have to engage in the whole value chain and play important role for the development of local know-how in just about all functional areas. The degree of involvement of the subsidiary in the internal competitiveness within and across units influences effective knowledge transfer.
- The essence of effective transfer of knowledge in MNCs needs to be researched in all types of manufacturing companies, since it has the potential to help companies to go above and beyond the norms to be more internationally competitive firms. Thus, the research needs to be further strengthening using critical combination of various data collection tools. To this extent, future studies in this arena should be in a broader scope to include other firms and as to increase the conclusiveness of the findings.

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Appendix I



**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT**

**Appendix I: Questionnaires to be filled by Workers, Supervisors,
Department Heads of BGI Ethiopia and or East Africa Bottling
Share Company (EABSC)**

Dear Respondent.....

I am a graduate of Management from Addis Ababa University College of Business and Economics Department of Management of Addis Ababa, Ethiopia. I am carrying out a study on the title: *“Effectiveness of Knowledge Transfer in Multinational Companies Focused in Two Selected Manufacturing Companies in Ethiopia”*.

This study respondents is expected to be filled the below questionnaires such as Workers, and officers as to come up with the effective transfer of knowledge in such multinational Company as to come up with improve overall Organizational productivity to be global competitive firm.

I will be grateful if you assist me by filling these questionnaires in your capacity as a teacher. Kindly answer these questions as honestly and precisely as possible. Responses will be treated as confidential and will only be used for this research study. For any information you can contact me through Cell phone number +251 912106372 or email address: nebiyatah@gmail.com.

Thank you in advance for your cooperation and assistance!

Instruction

- Please do not write your name anywhere on this questionnaires.
- Put a tick (✓) where appropriate.
- For structured questions, answer as briefly as possible.

PART I:

Demographic Information:

1. What is your gender? A. Male B. Female
2. Which age category do you belong to?
A. below 30 years C. 41 – 50 years
B.31– 40 years D. Above years 51
3. Marital Status A. Married B. Single C. Divorces
4. What is your professional qualification?
A. Certificate B. Diploma C. BA
D. MA E. PHD
5. What are the Experiences you have?
A. <5 year B.5-10 3 C.10-20 D.>20 years

PART TWO

1. The Questions designed to assess how the multinational company encourages and enhance the transfer of knowledge between its several business units:

The following table presents the multinational corporations encourage and enhance the transfer of knowledge between its several business units at your Company. Therefore, indicate with a tick (✓) in the appropriate box. It is rated from the highest to lowest degree of agreement in the following order is from 5-1 that are 5 = Strongly Agree (SA), 4 = Agree (A), 3 = Undecided (U), 2 = Disagree (D) 1 = Strongly Disagree (SD).

No.	Current practices the company in enhancing the transfer of knowledge between its several business units.	5 (SA)	4 (A)	3 (U)	2 (D)	1 (SD)
1.1	Through workshop by your company					
1.2	Local training and personal competence development					
1.3	Communications Flow process					
1.4	Through informal ways					
1.5	Other means?					

2. Questions related to the possible barriers that hinder the transfer of knowledge in the company:

The following are also the present the major problems hindering your Company not to effective transfer knowledge in multinational Company. Therefore, indicate with a tick (✓) in the appropriate box. It is rated from the highest to lowest degree of agreement in the following order is from 5-1 that are 5 = Strongly Agree (SA), 4 = Agree (A), 3 = Undecided (U), 2 = Disagree (D) 1 = Strongly Disagree (SD).

No.	Tasks to be responded by study participants	5 (SA)	4 (A)	3 (U)	2 (D)	1 (SD)
2.1	Uncommon interest or the individual behavior factors					
2.2	Lack of local trainers, poor team members					
2.3	Political and technological barriers					
2.4	Lack of good leadership and managerial skills					
2.5	Inflow and outflow of Communication barriers					
2.6	Time and resources cost of investment, etc.					
2.7	Others					

3. The Relationship between HQ and Subsidiaries and the good Communication in and out Flow at your Company:

There is smooth relationship between HQ and Subsidiaries and it leads to a good communication of in and out Flow at your Company today? Do you agree with this statement?

Yes No Undecided

If "yes" write on space below -----

If "No" please reason out -----

4. The questions below are focused on the role of the headquarter towards the process of transferring knowledge in the company:

Is the **Head Quarter** in your company effectively play the transfer of knowledge in the Multinational Corporation to improve its current productivity to be competitive?

Yes No Undecided

If yes put your opinion as -----

If “No” please reason out -----

5. What is the role of the subsidiaries in the transfer of knowledge in your company?

Are **Subsidiaries** in your company effectively play the transfer of knowledge in the Multinational Corporation to improve its current productivity to be competitive?

Yes No Undecided

If “yes” put your opinion as -----

If “No” please reason out -----

6. The factors that determine the Effectiveness of knowledge transfer in MNCs in the context of your Company:

The following are effective knowledge transfer in MNCs is believed to be determined by the following major factors in a Company. Therefore, indicate with a tick (v) in the appropriate box the extent to which you are agreeing or disagree with these statements. It is rated from the highest to lowest degree of agreement in the following order is from 5-1 that are 5 =

Strongly Agree (SA), 4 = Agree (A), 3 = Undecided (U), 2 = Disagree (D) 1 = Strongly Disagree (SD).

No.	Determinants of Effective knowledge transfer in MNCs	5 (SA)	4 (A)	3 (U)	2 (D)	1 (SD)
6	Knowledge transfer (KT) The effectiveness level of knowledge transfer in the company's units is very high.					
6.1	Relational Social Capital (RSC) There is personal relationships as trusts, duties, respects and friendship which encourage you to share your knowledge and enhancing teamwork among the employees.					
6.2	Cognitive Social Capital in the Company (CSC) There is shared interpretations and meanings that present the basis for communication.					
6.3	Structural Social Capital in Company (SSC) There is a flexible, decentralized and participative decision making process that allow efficient knowledge transfer between high-level managers and lower-level employees.					
6.4	Geographical distance (GD) The geographical distance between QH and Subsidiaries of the company is short.					
6.5	Cultural Distance (CD) There is small cultural difference in language, interpretation and corporate culture between the HQ and subsidiaries.					
6.6	Technological Distance (TD) There is similar and equal access of technological processes in transferring knowledge between MNCs' HQ and their subsidiaries.					

7. Can you mention the key elements for efficient transfer of knowledge between businesses at Company?

- (i)-----
- (ii)-----
- (iii)-----
- (iv)-----
- (v)-----
- (vi)-----

6. Do you have any idea or comment on the above issue that isn't mentioned?

Thanks You Once Again!!!

Appendix II



**ADDIS ABABA UNIVERSITY
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DEPARTMENT OF MANAGEMENT**

**Appendix II: Interview Questions to be responded by a numbers of
Managerial Bodies of Company**

Interview Guidelines to be answered are:

1. How do you understand the objective of Multinational Corporation to enhance the transfer of knowledge between its several business units at your Companies today?
2. How do you examine the issues of knowledge transfer as to implement Multinational Corporation at your Company?
3. What are the main challenges faced not to effectively transfer of knowledge in the multinational company at this study areas?
4. How do you express the relationship between HQ and Subsidiaries and the Communication Flow at your Company today?
5. What is the role of the headquarters in the process of transferring knowledge at your Company?
6. What is the role of the subsidiaries in the transfer of knowledge in such multinational at these study area?
7. What are the key elements for efficient and effective transfer of knowledge between these businesses units at your Company?
8. Can you mention that the one you think, the possible solutions for those challenges facing your Company as to effective transfer knowledge in this multinational company?
9. Is there any ideas or comments that you adds not mentioned refers to the above issues?

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